

# **Matzikama**

**MUNICIPALITY**



**UNAUDITED ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2016**

# MATZIKAMA MUNICIPALITY

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# MATZIKAMA MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Matzikama Municipality is a local municipality performing the functions as set out in the Constitution of the Republic of South Africa.

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) and are classified as a medium capacity municipality.

#### JURISDICTION

The Matzikama Municipality includes the following areas:

*Vredendal  
Vanrhynsdorp  
Klawer  
Koekenaap  
Lutzville  
Ebenhaezer  
Strandfontein  
Doringbaai  
Bitterfontein  
Nuwerus  
Stofkraal  
Molsvlei  
Rietpoort  
Kliprand*

#### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	<i>PG BOK</i>
Deputy Executive Mayor	<i>MC WITBOOI ( FROM AUGUST 2015)</i>
Executive Councillor	<i>F BAM</i>
Executive Councillor	<i>J BOTHA</i>
Executive Councillor	<i>W FORTUIN</i>
Speaker	<i>WH NELL</i>
Councillor	<i>C VAN DER WESTRUIS</i>
Councillor	<i>R STEPHAN</i>
Councillor	<i>Y CLOETE</i>
Councillor	<i>A SINDYAMBA</i>
Councillor	<i>AGM JULIES (UNTILL NOVEMBER 2015)</i>
Councillor	<i>B JULIES</i>
Councillor	<i>EL MQINGQI</i>
Councillor	<i>MJ SMITH</i>
Councillor	<i>D FREDERICKS ( FROM JANUARY 2016)</i>
Councillor	<i>D OKHUIS ( FROM AUGUST 2015)</i>

#### ACTING MUNICIPAL MANAGER

*JI SWARTZ*

#### ACTING CHIEF FINANCIAL OFFICER

*WET VAN DER WESTHUIZEN*

#### REGISTERED OFFICE

*37 Church Street, Vredendal, 8160*

#### AUDITORS

*Auditor-General, Private Bag X1, Chempet, 7442*

#### PRINCIPLE BANKERS

*ABSA Bank*

#### ATTORNEYS

*Swanepoel and Swanepoel Prokureurs  
Bradley Conradie Prokureurs  
Koos Coetzee Prokureurs*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALGBC

# **MATZIKAMA MUNICIPALITY**

## **MEMBERS OF THE MATZIKAMA MUNICIPALITY**

### **COUNCILLORS**

1	F BAM
2	D OKHUIS (From August 2015)
3	EL MQINGQI
4	PG BOK
5	R STEPHAN
6	B JULIES
7	A SINDYAMBA
8	C VAN DER WESTRUIS
Proportional	WH NELL
Proportional	MC WITBOOI
Proportional	Y CLOETE
Proportional	AGM JULIES (Untill November 2015)
Proportional	D FREDERICKS (From January 2016)
Proportional	J BOTHA
Proportional	MJ SMITH
Proportional	W FORTUIN

### **APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2016, which are set out on pages 1 to 73 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and approved by council in concurrence with the MEC for Local Government in the province.

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**Jl SWARTZ**  
**Acting Municipal Manager**

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**Date**

**MATZIKAMA MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

	Notes	2016 R	Restated 2015 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>467 840 616</b>	<b>424 360 209</b>
Accumulated Surplus/(Deficit)		464 465 616	419 750 209
Capital Replacement Reserve	2	3 375 000	4 610 000
<b>Non-Current Liabilities</b>		<b>112 566 943</b>	<b>109 134 573</b>
Long-term Liabilities	3	25 969 551	30 074 936
Employee benefits	4	30 645 425	28 322 936
Non-Current Provisions	5	55 951 967	50 736 701
<b>Current Liabilities</b>		<b>37 914 308</b>	<b>41 507 358</b>
Consumer Deposits	6	4 111 726	3 955 367
Current Employee benefits	7	8 908 414	7 964 543
Payables from exchange transactions	8	19 957 290	23 642 032
Unspent Conditional Government Grants and Receipts	9	810 703	1 506 135
Taxes	10	43 192	-
Current Portion of Long-term Liabilities	3	4 082 984	4 439 281
<b>Total Net Assets and Liabilities</b>		<b>618 321 866</b>	<b>575 002 141</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>586 603 140</b>	<b>546 390 942</b>
Property, Plant and Equipment	11	517 831 845	479 991 955
Investment Property	12	68 411 800	65 961 831
Intangible Assets	13	247 343	282 487
Long-Term Receivables	14	112 151	154 669
<b>Current Assets</b>		<b>31 718 727</b>	<b>28 611 199</b>
Inventory	15	506 063	424 565
Receivables from exchange transactions	16	12 891 622	11 705 436
Receivables from non-exchange transactions	17	7 516 312	5 105 169
Taxes	10	-	202 204
Operating Lease Asset	18	82 341	58 244
Current Portion of Long-term Receivables	14	346 214	382 632
Cash and Cash Equivalents	19	10 376 174	10 732 948
<b>Total Assets</b>		<b>618 321 866</b>	<b>575 002 141</b>

**MATZIKAMA MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 R	Restated 2015 R	Correction of error R	Previously reported 2015 R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>		<b>145 559 320</b>	<b>127 707 139</b>	<b>397 432</b>	<b>127 309 707</b>
<b>Taxation Revenue</b>		<b>36 598 497</b>	<b>32 573 584</b>	<b>-</b>	<b>32 573 584</b>
Property taxes	20	36 598 497	32 573 584	-	32 573 584
<b>Transfer Revenue</b>		<b>77 628 434</b>	<b>76 261 188</b>	<b>369 388</b>	<b>75 891 800</b>
Government Grants and Subsidies - Capital	21	25 497 322	26 620 820	369 388	26 251 432
Government Grants and Subsidies - Operating	21	52 131 111	49 640 368	-	49 640 368
<b>Other Revenue</b>		<b>31 332 389</b>	<b>18 872 367</b>	<b>28 043</b>	<b>18 844 324</b>
Actuarial Gains	4	469 745	67 468	-	67 468
Contribution Property Plant and Equipment	24	27 281 333	11 560 003	-	11 560 003
Fair Value adjustments	25	-	3 591 431	-	3 591 431
Fines	27	3 474 876	3 565 641	-	3 565 641
Reversal of Impairment Loss	32	106 435	87 825	28 043	59 781
<b>Revenue from Exchange Transactions</b>		<b>151 666 078</b>	<b>143 322 488</b>	<b>31 097</b>	<b>143 291 391</b>
Service Charges	22	135 222 096	128 030 790		128 030 790
Rental of Facilities and Equipment	26	3 982 560	3 243 480	(98 086)	3 341 566
Interest Earned - external investments		1 603 629	939 430	-	939 430
Interest Earned - outstanding debtors		3 124 535	2 396 192	-	2 396 192
Licenses and Permits		1 122 173	1 124 577	-	1 124 577
Agency Services		2 628 230	2 416 863	-	2 416 863
Other Income	23	3 982 853	5 171 157	129 183	5 041 973
<b>Total Revenue</b>		<b>297 225 398</b>	<b>271 029 627</b>	<b>428 529</b>	<b>270 601 098</b>
<b>EXPENDITURE</b>					
Employee related costs	28	93 529 500	81 364 241		81 364 241
Remuneration of Councillors	29	5 907 832	5 642 312		5 642 312
Debt Impairment	30	11 551 089	10 016 708		10 016 708
Collection Costs		327 388	134 146		134 146
Depreciation and Amortisation	31	12 884 742	12 067 395	500 314	11 567 081
Finance Charges	33	8 357 836	8 180 249	282 717	7 897 532
Repairs and Maintenance	34	8 272 092	8 494 841	267 225	8 227 616
Actuarial losses	4	137 346	1 881 691		1 881 691
Bulk Purchases	35	82 655 571	73 818 846		73 818 846
Contracted services	36	-	63 690	59 125	4 565
Grants and Subsidies	37	956 876	928 229		928 229
General Expenses	38	25 834 080	23 850 408	60 921	23 789 488
Fair Value adjustments	25	3 165 131	-		-
Loss on disposal of Property, Plant and Equipment		1 454 507	216 229		216 229
<b>Total Expenditure</b>		<b>255 033 991</b>	<b>226 658 986</b>	<b>1 170 302</b>	<b>225 488 684</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>42 191 407</b>	<b>44 370 642</b>	<b>(741 772)</b>	<b>45 112 414</b>

**MATZIKAMA MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Capital Replacement Reserve R</b>	<b>Revaluation Reserve R</b>	<b>Accumulated Surplus R</b>	<b>Total R</b>
<b>Balance at 30 JUNE 2014</b>	-	-	<b>381 856 939</b>	<b>381 856 939</b>
Correction of error - see note 39.01	-	-	(1 867 372)	(1 867 372)
<b>Restated Balance at 30 JUNE 2014</b>	<b>-</b>	<b>-</b>	<b>379 989 567</b>	<b>379 989 567</b>
Net Surplus for the year	-	-	44 370 642	44 370 642
Transfer to / (from) CRR	4 610 000	-	(4 610 000)	-
Revaluation reserve of Property, Plant and Equipment	-	-	-	-
Transfer to Accumulated Surplus	-	-	-	-
Property, Plant and Equipment purchased	-	-	-	-
<b>Restated Balance at 30 JUNE 2015</b>	<b>4 610 000</b>	<b>-</b>	<b>419 750 209</b>	<b>424 360 209</b>
Net Surplus for the year	-	-	42 191 407	42 191 407
Transfer to / (from) CRR	3 375 000	-	(3 375 000)	-
Revaluation reserve of Property, Plant and Equipment		1 289 000		1 289 000
Transfer to Accumulated Surplus		(1 289 000)	1 289 000	-
Property, Plant and Equipment purchased	(4 610 000)		4 610 000	-
<b>Balance at 30 JUNE 2016</b>	<b>3 375 000</b>	<b>-</b>	<b>464 465 616</b>	<b>467 840 616</b>

**MATZIKAMA MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

		<b>2016</b>	<b>Restated</b>
	<b>Notes</b>	<b>R</b>	<b>2015</b>
			<b>R</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		172 005 232	160 142 008
Government Grants		76 933 000	72 214 000
Interest		4 728 164	3 335 622
<b>Payments</b>			
Suppliers and employees		(219 177 503)	(190 821 216)
Transfers and Grants	<b>37</b>	(956 876)	(928 229)
Finance charges	<b>33</b>	(3 433 783)	(3 767 914)
<b>Net Cash from Operating Activities</b>	<b>40</b>	<b>30 098 234</b>	<b>40 174 270</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	<b>11</b>	(26 998 023)	(27 532 572)
Proceeds on Disposal of Fixed Assets		690 468	(0)
Decrease in Long-term Receivables		157 870	550 583
<b>Net Cash from Investing Activities</b>		<b>(26 149 685)</b>	<b>(26 981 989)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of Long-term Liabilities	<b>App A</b>	(4 461 682)	(6 027 570)
Increase in Consumer Deposits		156 359	869 394
<b>Net Cash from Financing Activities</b>		<b>(4 305 323)</b>	<b>(5 158 176)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(356 774)</b>	<b>8 034 105</b>
Cash and Cash Equivalents at the beginning of the year		10 732 948	2 698 843
Cash and Cash Equivalents at the end of the year	<b>41</b>	10 376 174	10 732 948
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(356 774)</b>	<b>8 034 105</b>



**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

**COMPARISON OF ACTUAL FIGURES TO THE FINAL BUDGET**  
**(BUDGET ON ACCRUAL BASIS)**

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	8 876 174	16 625 774	(7 749 600)
Call investment deposits	1 500 000	-	1 500 000
Consumer debtors	20 407 934	14 272 345	6 135 589
Other Receivables	82 341	229 351	(147 009)
Current portion of long-term receivables	346 214	382 632	(36 418)
Inventory	506 063	450 039	56 024
<b>Total current assets</b>	31 718 727	31 960 140	(241 414)
<b>Non current assets</b>			
Long-term receivables	112 151	154 669	(42 518)
Investment property	68 411 800	65 969 831	2 441 969
Property, plant and equipment	517 831 847	494 708 005	23 123 841
Intangible Assets	247 343	323 995	(76 652)
<b>Total non current assets</b>	586 603 141	561 156 501	25 446 641
<b>TOTAL ASSETS</b>	618 321 868	593 116 641	25 205 227
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft	-	-	-
Borrowing	4 082 984	3 996 996	85 987
Consumer deposits	4 111 726	4 192 689	(80 963)
Trade and other payables	20 811 184	24 203 409	(3 392 225)
Provisions and Employee Benefits	8 908 414	8 442 416	465 998
<b>Total current liabilities</b>	37 914 308	40 835 510	(2 921 202)
<b>Non current liabilities</b>			
Borrowing	25 969 551	26 077 940	(108 388)
Non-Current Provisions and Employee Benefits	86 597 391	79 049 022	7 548 370
<b>Total non current liabilities</b>	112 566 943	105 126 962	7 439 981
<b>TOTAL LIABILITIES</b>	150 481 251	145 962 472	4 518 779
<b>NET ASSETS</b>	467 840 617	447 154 169	20 686 448
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus/(Deficit)	464 465 616	441 751 283	22 714 332
Reserves	3 375 000	5 402 886	(2 027 886)
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	467 840 616	447 154 169	20 686 446

**EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 55**

**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

**ADJUSTMENTS TO APPROVED BUDGET**  
**(BUDGET ON ACCRUAL BASIS)**

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	10 325 822	6 299 951	16 625 774
Consumer debtors	32 075 147	(17 802 802)	14 272 345
Other Receivables	34 401	194 949	229 351
Current portion of long-term receivables	355 785	26 848	382 632
Inventory	532 631	(82 592)	450 039
<b>Total current assets</b>	43 323 787	(11 363 646)	31 960 140
<b>Non current assets</b>			
Long-term receivables	159 969	(5 300)	154 669
Investment property	60 275 150	5 694 681	65 969 831
Property, plant and equipment	449 525 166	45 182 839	494 708 005
Intangible Assets	424 160	(100 164)	323 995
<b>Total non current assets</b>	510 384 445	50 772 056	561 156 501
<b>TOTAL ASSETS</b>	553 708 231	39 408 410	593 116 641
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowing	3 996 996	-	3 996 996
Consumer deposits	3 500 111	692 578	4 192 689
Trade and other payables	23 580 954	622 455	24 203 409
Provisions and Employee Benefits	11 738 753	(3 296 337)	8 442 416
<b>Total current liabilities</b>	42 816 813	(1 981 303)	40 835 510
<b>Non current liabilities</b>			
Borrowing	22 502 233	3 575 707	26 077 940
Non-Current Provisions and Employee Benefits	67 016 086	12 032 935	79 049 022
<b>Total non current liabilities</b>	89 518 319	15 608 642	105 126 962
<b>TOTAL LIABILITIES</b>	132 335 133	13 627 339	145 962 472
<b>NET ASSETS</b>	421 373 099	25 781 071	447 154 169
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus/(Deficit)	411 405 865	30 345 419	441 751 283
Reserves	9 967 235	(4 564 349)	5 402 886
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	421 373 100	25 781 070	447 154 169

**EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 55**

**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**  
**(BUDGET ON ACCRUAL BASIS)**

	2016 R (Actual)	2016 R (Adjustment Budget)	2016 R (Variance)
<b>REVENUE BY SOURCE</b>			
Property rates	(36 598 497)	(40 169 609)	3 571 112
Service charges	(135 222 096)	(142 060 102)	6 838 006
Rental of facilities and equipment	(3 982 560)	(3 641 729)	(340 832)
Interest earned - external investments	(1 603 629)	(1 048 768)	(554 861)
Interest earned - outstanding debtors	(3 124 535)	(2 787 550)	(336 986)
Fines	(3 474 876)	(2 235 059)	(1 239 817)
Licences and permits	(1 122 173)	(1 915 064)	792 891
Agency services	(2 628 230)	(2 707 574)	79 344
Government Grants and Subsidies - Operating	(52 131 111)	(52 355 280)	224 169
Other income	(31 840 367)	(1 824 276)	(30 016 091)
Gain on disposal of Property, Plant and Equipment	-	(3 839 000)	3 839 000
<b>Total Operating Revenue</b>	(271 728 075)	(254 584 010)	(17 144 065)
<b>EXPENDITURE BY TYPE</b>			
Employee Related Costs	93 529 500	92 691 920	837 580
Remuneration of councillors	5 907 832	6 093 822	(185 990)
Debt impairment	11 551 089	17 198 280	(5 647 191)
Depreciation and Amortisation	12 884 742	11 753 066	1 131 677
Finance charges	8 357 836	8 562 204	(204 368)
Bulk purchases	82 655 571	83 083 297	(427 726)
Contracted services	-	120 600	(120 600)
Grants and Subsidies	956 876	974 723	(17 846)
General Expenses	37 736 037	40 787 489	(3 051 452)
Loss on disposal of Property, Plant and Equipment	1 454 507	-	1 454 507
<b>Total Operating Expenditure</b>	255 033 991	261 265 400	(6 231 410)
<b>Operating (Surplus)/Deficit for the year</b>	(16 694 084)	6 681 390	(23 375 475)
Government Grants and Subsidies - Capital	(25 497 322)	(26 084 361)	587 039
<b>Net (Surplus)/Deficit for the year</b>	(42 191 407)	(19 402 971)	(22 788 436)

**EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 55**

**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

**ADJUSTMENTS TO APPROVED BUDGET**  
**(BUDGET ON ACCRUAL BASIS)**

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)
<b>REVENUE BY SOURCE</b>			
Property rates	(37 203 609)	(2 966 000)	(40 169 609)
Property rates - penalties & collection charges		-	-
Service charges	(144 252 402)	2 192 300	(142 060 102)
Rental of facilities and equipment	(4 468 335)	826 606	(3 641 729)
Interest earned - external investments	(698 768)	(350 000)	(1 048 768)
Interest earned - outstanding debtors	(2 537 550)	(250 000)	(2 787 550)
Dividends received	-	-	-
Fines	(2 088 838)	(146 221)	(2 235 059)
Licenses and permits	(1 829 451)	(85 613)	(1 915 064)
Agency services	(2 707 574)	-	(2 707 574)
Government Grants and Subsidies - Operating	(50 788 000)	(1 567 280)	(52 355 280)
Other revenue	(1 800 816)	(23 459)	(1 824 276)
Gains on disposal of PPE	(3 839 000)	-	(3 839 000)
<b>Total Operating Revenue</b>	<b>(252 214 343)</b>	<b>(2 369 667)</b>	<b>(254 584 010)</b>
<b>EXPENDITURE BY TYPE</b>			
Employee related costs	92 755 123	(63 203)	92 691 920
Remuneration of councillors	6 149 941	(56 119)	6 093 822
Debt impairment	6 698 280	10 500 000	17 198 280
Depreciation & asset impairment	11 753 066	-	11 753 066
Finance charges	7 763 316	798 888	8 562 204
Bulk purchases	83 483 297	(400 000)	83 083 297
Contracted services	120 600	-	120 600
Grants and subsidies paid	974 723	-	974 723
Other expenditure	38 635 580	2 151 909	40 787 489
<b>Total Operating Expenditure</b>	<b>248 333 925</b>	<b>12 931 475</b>	<b>261 265 400</b>
<b>Operating (Surplus)/Deficit for the year</b>	<b>(3 880 418)</b>	<b>10 561 808</b>	<b>6 681 390</b>
Government Grants and Subsidies - Capital	(24 980 000)	(1 104 361)	(26 084 361)
<b>Net (Surplus)/Deficit for the year</b>	<b>(28 860 418)</b>	<b>9 457 447</b>	<b>(19 402 971)</b>

**EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 55**

**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**  
**(BUDGET ON ACCRUAL BASIS)**

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other	172 005 232	178 959 839	(6 954 606)
Government - operating	51 435 678	52 355 280	(919 602)
Government - capital	25 497 322	26 084 361	(587 039)
Interest	4 728 164	3 475 314	1 252 850
<b>Payments</b>			
Suppliers and Employees	(219 177 503)	(220 519 575)	1 342 071
Finance charges	(3 433 783)	(3 325 800)	(107 983)
Transfers and Grants	(956 876)	(974 723)	17 846
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	30 098 234	36 054 696	(5 956 463)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on disposal of Assets	690 468	3 839 000	(3 148 532)
Decrease (Increase) in non-current debtors	157 870	-	157 870
Decrease/(increase) in non-current receivables	-	(5 300)	5 300
<b>Payments</b>			
Capital assets	(26 998 023)	(30 477 847)	3 479 824
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	(26 149 685)	(26 644 147)	494 462
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Borrowing	-	-	-
Increase/(decrease) in consumer deposits	156 359	921 558	(765 199)
<b>Payments</b>			
Repayment of borrowing	(4 461 682)	(4 439 281)	(22 401)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	(4 305 323)	(3 517 723)	(787 599)
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	(356 774)	5 892 826	-6 249 600
Cash and Cash Equivalents at the beginning of the year	10 732 948	10 732 948	0
Cash and Cash Equivalents at the end of the year	10 376 174	16 625 774	(6 249 600)

**EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 55**

**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

**ADJUSTMENTS TO APPROVED BUDGET**  
**(BUDGET ON ACCRUAL BASIS)**

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other	181 298 249	(2 338 411)	178 959 839
Government - operating	50 788 000	1 567 280	52 355 280
Government - capital	24 980 000	1 104 361	26 084 361
Interest	3 067 700	407 614	3 475 314
<b>Payments</b>			
Suppliers and Employees	(213 530 796)	(6 988 779)	(220 519 575)
Finance charges	(3 374 872)	49 072	(3 325 800)
Transfers and Grants	(974 723)	-	(974 723)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	42 253 559	(6 198 862)	36 054 696
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on disposal of Assets	3 839 000	-	3 839 000
Decrease (Increase) in non-current debtors	-	-	-
Decrease/(increase) in non-current receivables	-	(5 300)	(5 300)
<b>Payments</b>			
Capital assets	(29 770 000)	(707 847)	(30 477 847)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	(25 931 000)	(713 147)	(26 644 147)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Borrowing	-	-	-
Increase/(decrease) in consumer deposits	228 979	692 578	921 558
<b>Payments</b>			
Repayment of borrowing	(8 029 373)	3 590 092	(4 439 281)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	(7 800 394)	4 282 671	(3 517 723)
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	8 522 165	(2 629 339)	5 892 826
Cash and Cash Equivalents at the beginning of the year	1 803 658	8 929 290	10 732 948
Cash and Cash Equivalents at the end of the year	10 325 822	6 299 951	16 625 774

**EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 55**

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1 BASIS OF PREPARATION**

The financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

**1.2 PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

**1.3 GOING CONCERN ASSUMPTION**

These financial statements have been prepared on the basis of going concern.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1.4 COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5 AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6 MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. For the purposes of explaining variances on the face of the statements the figure of 10% is utilised by management and deemed appropriate.

**1.7 PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;



**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material, and explanations provided

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material, and explanations provided

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2015/16 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 20 (Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality as resolved to use the disclosure requirements of GRAP 20 to formulate its own accounting policy for related party transactions. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32 (Original – Aug 2013)</b>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>

**MATSIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>GRAP 108</b> <b>(Original – Sept 2013)</b>	<b>Statutory Receivables</b> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<b>Unknown</b>
<b>GRAP109</b> <b>(Original July 2015)</b>	<b>Accounting by Principles and Agents</b> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<b>Unknown</b>
<b>IGRAP17</b> <b>(Original Aug 2013)</b>	<b>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</b> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.9 RESERVES**

### **1.9.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

## **1.10 LEASES**

### **1.10.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### **1.10.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1.11 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.12 PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

- 
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.

- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

**1.13 EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

**1.13.1 Post-Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**1.13.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**1.13.3 Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**1.13.4 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

**1.13.5 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered

## **MATZIKAMA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised

in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **1.13.6 Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

#### **1.14 BORROWING COSTS**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

#### **1.15 PROPERTY, PLANT AND EQUIPMENT**

##### **1.15.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.15.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

**1.15.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:



**MATSIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Paving	15-100	Vehicles	6 -24
Electricity	1-80	Furniture and Office Equipment	6-22
Water	15-100	Plant & Equipment	6-34
Sewerage	10-100	Landfill sites	13 -38
 <b><u>Community</u></b>			
Buildings	10 - 100		
Recreational Grounds	0 -100		
Halls	0 -100		
Libraries	0 -100		
Taxi Ranks and Parking Areas	100		
Parks and gardens	0-100		
Cemeteries	100		
 <b><u>Land &amp; Buildings</u></b>			
Land	Infinite		
Buildings	100		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### **1.15.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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Municipality applied deemed cost where the acquisition cost of an asset could not be determined.

For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

**1.16 INTANGIBLE ASSETS**

**1.16.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**1.16.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the

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useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.16.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method.

Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u><b>Intangible Assets</b></u>	<b>Years</b>
Computer Software	15
Rights	Infinite

**1.16.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.16.5 Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

**1.17 INVESTMENT PROPERTY**

**1.17.1 Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.17.2 Subsequent Measurement – Fair Value Model**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

**1.17.3 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.4 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

**1.18 IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.18.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

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In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
  - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
  - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
  - Evidence is available of obsolescence or physical damage of an asset.
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
  - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.18.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

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The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *Depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

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**1.19 INVENTORIES**

**1.19.1 Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.19.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

**1.20 FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include non-statutory receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-



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exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

**1.20.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.20.2 Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.20.2.1 Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.20.2.2 Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.20.2.3 Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

### **1.20.3 *De-recognition of Financial Instruments***

#### **1.20.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of

## **MATZIKAMA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.20.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.20.4 *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### **1.22 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions. Examples of Statutory receivables would be rates and fines.

#### **1.22.1 Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset

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**1.22.2 Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

**1.22.3 Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - (i) derecognise the receivable; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer

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**1.23 REVENUE**

**1.23.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

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All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**1.23.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units. The pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**1.24 RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;



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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees.

Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.25 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.26 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.27 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.28 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

**1.29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

**1.29.1 *Post-retirement medical obligations and Long service awards***

The cost of post retirement medical obligations, long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1.29.2 Impairment of Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

**1.29.3 Property, Plant and Equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1.29.4 Intangible Assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

**1.29.5 Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers or qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**1.29.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

**1.29.7 Revenue Recognition**

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.29.8 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

**1.29.9 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

**1.29.10 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

**1.29.11 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component,

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**1.30 TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.31 CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.32 EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

**1.33 TAXATION**

**1.33.1 Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

**1.33.2 Deferred tax assets and liabilities**

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

**1.33.3 Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>2 NET ASSET RESERVES</b>		
Capital Replacement Reserve	3 375 000	4 610 000
<b>Total Net Asset Reserves</b>	<b>3 375 000</b>	<b>4 610 000</b>
<b>3 LONG-TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	30 052 535	34 514 217
Current Portion transferred to Current Liabilities	(4 082 984)	(4 439 281)
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>25 969 551</b>	<b>30 074 936</b>
Refer below for maturity dates of long term liabilities:		
The obligations under annuity loans are scheduled below:		
Amounts payable under annuity loans:		
Payable within one year	7 268 168	7 736 463
Payable within two to five years	22 055 091	25 243 903
Payable after five years	19 391 588	21 179 708
	48 714 848	54 160 074
<b>Less:</b> Future finance obligations	(18 662 313)	(19 645 857)
<b>Present value of annuity obligations</b>	<b>30 052 535</b>	<b>34 514 217</b>
Annuity loans at amortised cost is calculated at a interest rate of between 5.70% and 11.14%, with first maturity date of 30 June 2016 and last maturity date of 30 June 2027.		
<b>4 EMPLOYEE BENEFITS</b>		
Post Retirement Benefits - note 4.1	25 677 825	23 871 670
Long Service Awards - note 4.2	4 967 600	4 451 266
<b>Total Non-current Employee Benefit Liabilities</b>	<b>30 645 425</b>	<b>28 322 936</b>
<b><u>Post Retirement Benefits</u></b>		
Balance 1 July	24 847 894	21 053 220
Contribution for the year	1 234 488	1 002 877
Interest Cost	2 110 025	1 835 454
Expenditure for the year	(1 006 645)	(925 348)
Actuarial Loss / (Gain)	(469 745)	1 881 691
<b>Total post retirement benefits 30 June</b>	<b>26 716 017</b>	<b>24 847 894</b>
<b>Less:</b> Transfer of Current Provision - note 7	(1 038 192)	(976 224)
<b>Balance 30 June</b>	<b>25 677 825</b>	<b>23 871 670</b>
<b><u>Long Service Awards</u></b>		
Balance 1 July	4 695 477	4 426 598
Contribution for the year	458 858	396 840
Interest Cost	373 580	346 304
Expenditure for the year	(218 808)	(406 797)
Actuarial Loss/(Gain)	137 346	(67 468)
<b>Total long service 30 June</b>	<b>5 446 453</b>	<b>4 695 477</b>
<b>Less:</b> Transfer of Current Provision - note 7	(478 853)	(244 211)
<b>Balance 30 June</b>	<b>4 967 600</b>	<b>4 451 266</b>
<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
Balance 1 July	29 543 371	25 479 818
Contribution for the year	1 693 346	1 399 717
Interest cost	2 483 605	2 181 758
Expenditure for the year	(1 225 453)	(1 332 145)
Actuarial Loss/(Gain)	(332 399)	1 814 223
<b>Total employee benefits 30 June</b>	<b>32 162 470</b>	<b>29 543 371</b>
<b>Less:</b> Transfer of Current Provision - note 7	(1 517 045)	(1 220 435)
<b>Balance 30 June</b>	<b>30 645 425</b>	<b>28 322 936</b>



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**4.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2016 Employees	2015 Employees
In-service (employee) members	118	110
In-service (employee) non-members	56	74
Continuation members (e.g. Retirees, widows, orphans)	30	30
<b>Total Members</b>	<b>204</b>	<b>214</b>

The liability in respect of past service has been estimated to be as follows:

	2016 R	2015 R	2014 R	2013 R
In-service members	11 423 790	9 216 529	7 561 057	6 115 102
In-service non-members	1 770 364	2 482 585	2 794 297	2 041 224
Continuation members	13 521 862	13 148 779	10 697 865	10 463 649
<b>Total Liability</b>	<b>26 716 016</b>	<b>24 847 893</b>	<b>21 053 219</b>	<b>18 619 975</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 R
In-service members	5 207 499
In-service non-members	2 582 752
Continuation members	10 421 576
<b>Total Liability</b>	<b>18 211 827</b>

History of experience adjustments were calculated as follows:

	2016	2015	2014	2013	2012
Liabilities: (Gain) / loss	64 000	1 838 000	361 000	(645 000)	2 398 000
Assets: Gain / (loss)	-	-	-	-	-

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health;  
Sammwumed;  
Keyhealth, and  
Hosmed

Key actuarial assumptions used:

	2016 %	2015 %
<b>i) Rate of interest</b>		
Discount rate	9.31%	8.66%
Health Care Cost Inflation Rate	8.38%	7.87%
Net Effective Discount Rate	0.85%	0.73%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

**ii) Mortality rates**

Mortality during employment - SA 85-90  
Mortality post-retirement - PA90-1

**iii) Normal retirement age**

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

**iv) Actuarial Valuation Method**

The Projected Unit Credit Method has been used to value the liabilities.

**v) Expected rate of salary increases**

2016/2017 - average CPI (Feb 2015 – Jan 2016) + 1 per cent  
2017/2018 - average CPI (Feb 2016 – Jan 2017) + 1 per cent

**The amounts recognised in the Statement of Financial Position are as follows:**

	2016 R	2015 R
Present value of fund obligations	26 716 017	24 847 894
<b>Total Liability</b>	<b>26 716 017</b>	<b>24 847 894</b>

The fund is wholly unfunded.

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits.

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	24 847 894	21 053 220
Total expenses	2 337 868	1 912 983
Current service cost	1 234 488	1 002 877
Interest Cost	2 110 025	1 835 454
Benefits Paid	(1 006 645)	(925 348)
Actuarial (gains)/losses	(469 745)	1 881 691
Present value of fund obligation at the end of the year	26 716 017	24 847 894
<b>Less:</b> Transfer of Current Portion - note 7	(1 038 192)	(976 224)
<b>Balance 30 June</b>	<b>25 677 825</b>	<b>23 871 670</b>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Sensitivity Analysis on the Accrued Liability**

<b>Assumption</b>	<b>In-service members liability R</b>	<b>Continuation members liability R</b>	<b>Total liability R</b>
Central Assumptions	13 194 000	13 522 000	26 716 000

The effect of movements in the assumptions are as follows:

<b>Assumption</b>	<b>Change</b>	<b>In-service members liability R</b>	<b>Continuation members liability R</b>	<b>Total liability R</b>	<b>Change %</b>
Health care inflation	1%	16 325 000	14 806 000	26 716 000	17%
Health care inflation	-1%	10 762 000	12 402 000	31 132 000	-13%
Discount rate	1%	10 799 000	12 420 000	23 165 000	-13%
Discount rate	-1%	16 329 000	14 808 000	31 137 000	17%
Post-retirement mortality	-1 year	13 685 000	14 110 000	27 795 000	4%
Average retirement age	-1 year	14 468 000	13 522 000	27 990 000	5%
Continuation of membership at retirement	-10%	11 584 000	13 522 000	25 105 000	-6%

**Sensitivity Analysis on the Current-Service and Interest Cost**

<b>Assumption</b>	<b>Change</b>	<b>Current Cost R</b>	<b>Service Interest Cost R</b>	<b>Total R</b>	<b>Change %</b>
Central Assumptions		1 394 800	2 439 500	3 834 300	
Health care inflation	1%	1 738 300	2 850 500	4 588 800	20%
Health care inflation	-1%	1 130 900	2 108 900	3 239 800	-16%
Discount rate	1%	1 145 300	2 341 200	3 486 500	-9%
Discount rate	-1%	1 722 800	2 544 600	4 267 400	11%
Post-Retirement mortality	-1 year	1 446 100	2 540 000	3 986 100	4%
Average retirement age	-1 year	1 390 500	2 558 100	3 948 600	3%
Continuation of Membership at retirement	10%	1 228 600	2 289 600	3 518 200	-8%

**History of liabilities and assets**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Accrued Liability	26 716 017	24 847 893	21 053 000	18 620 000	18 212 000
Fair value of plan assets	-	-	-	-	-
Surplus	<u>26 716 017</u>	<u>24 847 893</u>	<u>21 053 000</u>	<u>18 620 000</u>	<u>18 212 000</u>

**4.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

<b>2016 Employees</b>	<b>2015 Employees</b>
<u>395</u>	<u>375</u>

Key actuarial assumptions used:

**i) Rate of interest**

Discount rate	8.94%	8.16%
General Salary Inflation (long-term)	7.77%	7.22%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.08%	0.88%

**ii) Actuarial Valuation Method**

The Projected Unit Credit Method has been used to value the liabilities.

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

**The amounts recognised in the Statement of Financial Position are as follows:**

	<b>2016 R</b>	<b>2015 R</b>
Present value of fund obligations	5 446 453	4 695 477
<b>Net liability</b>	<u>5 446 453</u>	<u>4 695 477</u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 R	2013 R	2012 R
<b>Total Liability</b>	<b>4 426 598</b>	<b>3 708 407</b>	<b>3 242 171</b>

History of experience adjustments were calculated as follows:

	2016	2015	2014	2013	2012
Liabilities: (Gain) / loss	248 501	(72 616)	262 519	45 289	392 579
Assets: Gain / (loss)	-	-	-	-	-

	2016 R	2015 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	4 695 477	4 426 598
Total expenses	613 630	336 347
Current service cost	458 858	396 840
Interest Cost	373 580	346 304
Benefits Paid	(218 808)	(406 797)
Actuarial (gains)/losses	137 346	(67 468)
Present value of fund obligation at the end of the year	5 446 453	4 695 477
<b>Less:</b> Transfer of Current Portion - note 7	(478 853)	(244 211)
<b>Balance 30 June</b>	<b>4 967 600</b>	<b>4 451 266</b>

**Sensitivity Analysis on the Unfunded Accrued Liability**

Assumption	Change	Liability R	Change %
Central assumptions		5 446 000	
General salary inflation	+1%	5 901 000	8%
General salary inflation	-1%	5 043 000	-7%
Discount Rate	+1%	5 027 000	-8%
Discount Rate	-1%	5 928 000	9%
Average retirement age	- 2 yrs	4 897 000	-10%
Average retirement age	+ 2 yrs	5 159 000	13%
Withdrawal rates	-50%	6 489 000	19%

**Sensitivity Analysis on the Current- Service and Interest Cost**

Assumption	Change	Current Cost R	Service Interest Cost R	Total R	Change %
Central assumptions		520 700	465 800	986 500	
General salary inflation	+1%	574 300	506 300	1 080 600	10%
General salary inflation	-1%	473 800	429 800	903 600	-8%
Discount Rate	+1%	476 800	476 300	953 100	-3%
Discount Rate	-1%	571 700	451 900	1 023 600	4%
Average retirement age	-2yrs	472 700	416 700	889 400	-10%
Average retirement age	+2yrs	580 300	529 500	1 109 800	12%
Withdrawal rates	-50%	681 100	559 000	1 240 100	26%

**History of liabilities and assets**

	2016	2015	2014	2013	2012
Accrued liability	5 446 409	4 695 477	4 426 598	3 708 407	3 242 171
Fair value of plan asset	-	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>5 446 409</b>	<b>4 695 477</b>	<b>4 426 598</b>	<b>3 708 407</b>	<b>3 242 171</b>

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**4.3 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 101.7% (30 June 2013- 99.2%).

Contributions paid recognised in the Statement of Financial Performance

2016 R	2015 R
<b>27 469</b>	<b>25 069</b>

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in sound financial position with a funding level of 153.1% (30 June 2014 -101.7%).

Contributions paid recognised in the Statement of Financial Performance

<b>9 238 590</b>	<b>7 898 095</b>
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**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SAMWU National Provident Fund

<b>901 975</b>	<b>940 702</b>
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**5 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites

**Total Non-current Provisions**

2016 R	2015 R
55 951 967	50 736 701
<b>55 951 967</b>	<b>50 736 701</b>

In terms of the licensing of the landfill refuse sites, the Municipality will incur rehabilitation costs to restore the sites at the end of their useful lives, estimated to be in 2016 - 2034.

**Landfill Sites**

Balance 1 July

50 736 701      41 746 853

Balance Previously Reported

36 151 776

Correction of error - see note 39.01(k)

5 595 077

Finance Charges

2 440 494      3 065 346

Balance Previously Reported

1 893 759

Correction of error - see note 39.01(l)

834 769

Correction of error - see note 39.01(l)

336 818

Addition

2 774 772      8 290 750

Change in Provision for Rehabilitation Cost

(2 366 248)

**Total provision 30 June**

**55 951 967      50 736 701**

**Less:** Transfer of Current Portion to Current Provisions

-

**Balance 30 June 2016**

**55 951 967      50 736 701**

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs.  
The assumptions used are as follows:

	Klawer	Vanrhynsdorp	Vredendal	Lutzville	Strandfontein
Rehabilitation Area(m2)	12 190	25 850	50 460	29 170	7 750
P&G	353 562	1 104 282	862 439	677 262	263 492
Site Clearance ( R )	29 766	63 122	123 215	71 228	18 924
Storm Water Drainage ( R )	992 238	1 330 871	1 927 357	1 595 341	769 536
Capping ( R )	766 507	6 130 277	3 172 925	1 834 210	487 320
Leachate Management	269 475	352 978	630 824	493 144	215 795
Fencing	467 460	10 480	305 960	843 660	390 510
Other ( R )	364 879	773 822	346 740	425 945	346 740
Contingencies ( R )	287 901	899 201	702 272	551 484	214 558
Engineering ( R )	237 518	741 841	579 374	454 974	177 010
Site Supervision ( R )	311 888	817 301	548 507	458 048	360 424
<b>Total (Excl VAT)</b>	<b>4 081 194</b>	<b>12 224 175</b>	<b>9 199 614</b>	<b>7 405 296</b>	<b>3 244 308</b>
Rehab cost/m2	335	473	182	254	419
Estimated construction period(weeks)	12	16	20	16	12

	Doringbaai	Bitterfontein	Kliprand	Rietpoort	Nuwerus
Rehabilitation Area(m2)	10 290	4 570	1 790	820	3 170
P&G	253 847	259 849	140 692	90 498	126 064
Site Clearance ( R )	25 127	11 159	4 371	2 002	7 741
Storm Water Drainage ( R )	728 814	572 517	458 881	338 719	525 263
Capping ( R )	647 035	1 093 330	412 336	51 562	199 330
Leachate Management	305 759	168 576	118 871	93 522	157 641
Fencing	106 460	10 480	10 480	160 610	10 480
Other ( R )	346 740	395 596	452 360	346 740	433 094
Contingencies ( R )	206 704	211 591	114 563	73 691	102 652
Engineering ( R )	170 531	174 563	94 515	60 795	84 688
Site Supervision ( R )	364 088	670 704	612 981	333 096	273 349
<b>Total (Excl VAT)</b>	<b>3 155 106</b>	<b>3 568 364</b>	<b>2 420 050</b>	<b>1 551 236</b>	<b>1 920 299</b>
Rehab cost/m2	307	781	1 352	1 892	606
Estimated construction period	12	12	8	9	8

	Ebenhaeser	Koekenaap
Rehabilitation Area(m2)	3 840	5 000
P&G	191 251	381 599
Site Clearance ( R )	9 377	12 209
Storm Water Drainage ( R )	692 406	848 742
Capping ( R )	241 459	1 192 608
Leachate Management	159 630	233 191
Fencing	263 210	438 960
Other ( R )	356 210	357 618
Contingencies ( R )	155 733	310 731
Engineering ( R )	128 480	256 353
Site Supervision ( R )	427 210	525 347
<b>Total (Excl VAT)</b>	<b>2 624 966</b>	<b>4 557 358</b>
Rehab cost/m2	639	911
Estimated construction period	8	10

**6 CONSUMER DEPOSITS**

Water and Electricity	4 111 726	3 955 367
<b>Total Consumer Deposits</b>	<b>4 111 726</b>	<b>3 955 367</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

**7 CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits - note 4	1 038 192	976 224
Current Portion of Long-Service Provisions - note 4	478 853	244 211
Provision for Staff Leave	4 939 364	4 554 751
Bonuses Accrued	2 417 488	2 154 840
Pension	34 517	34 517
<b>Total Current Employee Benefits</b>	<b>8 908 414</b>	<b>7 964 543</b>

The movement in current employee benefits are reconciled as follows:

**Provision for Staff Leave**

Balance at beginning of year	4 554 751	4 130 667
Contribution to current portion	875 733	972 100
Expenditure incurred	(491 121)	(548 016)
<b>Balance at end of year</b>	<b>4 939 364</b>	<b>4 554 751</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Bonuses Accrued**

	2016 R	2015 R
Balance at beginning of year	2 154 840	1 990 934
Contribution to current portion	4 616 459	4 020 417
Expenditure incurred	(4 353 811)	(3 856 511)
Balance at end of year	<b>2 417 488</b>	<b>2 154 840</b>

Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

**Pension**

Balance at beginning of year	34 517	35 055
Expenditure incurred		(538)
Balance at end of year	<b>34 517</b>	<b>34 517</b>

Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.

**8 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	8 841 247	3 400 689
Pre-paid electricity	371 551	315 117
Sundry Creditors	6 616 961	15 540 654
Balance Previously Reported		15 755 111
Correction of error see note - 39.01 ( e )		921 848
Correction of error see note - 39.01 ( f )		-54 101
Correction of error see note - 39.01 ( h )		-1 202 250
Correction of error see note - 39.01 ( s )		59 125
		60 921
Payments received in advance	2 466 352	3 639 246
Retentions	1 661 179	746 326
<b>Total Trade Payables</b>	<b>19 957 290</b>	<b>23 642 032</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include hall, builders and housing deposits.

**9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

National Government Grants	-	958 883
Provincial Government Grants	810 703	547 252
Balance Previously Reported		499 999
Correction of error see note - 39.01 ( f )		1 202 250
Correction of error see note - 39.01 (g)		-785 608
Correction of error see note 39.01(t)		-369 388
<b>Total Unspent Conditional Grants and Receipts</b>	<b>810 703</b>	<b>1 506 135</b>

Refer to note 21 for a detail reconciliation of grants.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See appendix "B" for reconciliation of grants from other spheres of government. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

**10 TAXES**

**10.1 VAT PAYABLE**

VAT Payable	-	378 704
VAT Output in suspense	4 991 381	4 093 068
Less: Contribution to provision for impairment of trade receivables from exchange transactions	(3 026 482)	(2 802 008)
Opening balance	(2 802 008)	(2 322 622)
Movement for the year	(224 474)	(479 385)
<b>Total VAT Payable</b>	<b>1 964 899</b>	<b>1 669 764</b>

**10.2 VAT RECEIVABLE**

VAT Receivable	445 321	-
VAT Input in suspense	1 476 387	1 871 968
<b>Total VAT Receivable</b>	<b>1 921 708</b>	<b>1 871 968</b>

**10.3 NET VAT RECEIVABLE/(PAYABLE)**

	<b>(43 192)</b>	<b>202 204</b>
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VAT is receivable/(payable) on the cash basis.







**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**12 INVESTMENT PROPERTY**

**Net Carrying amount at 1 July**

Balance Previously reported  
Correction of error see note 39.01( c )

Disposals - current year  
Transfers from Property Plant and Equipment  
Transfers from Inventory  
Fair value gain/(losses)

**Carrying amount at 30 June**

Revenue derived from the rental of investment property

Operating expenditure incurred on properties generating revenue

Operating expenditure incurred on properties not generating revenue

Land to the value of R 6 848 500 were identified to be sold during the next financial year.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

Fair value valuations were performed by an independent firm, South Cape Valuers, at 30 June 2016. The valuator, Stephanus Janse Hendrikus de Swardt is a Professional Associated Valuer ( registration no 2970) at the South African Council for Property Valuers Profession

The method to be applied in the assessment of value will properly reflect the actions of buyers and sellers, as well as the approach typically followed by market participants, including brokers, in the assessment of selling prices. It will also reflect market circumstances at the time, such as the availability of property for rental and sale and the respective strengths and weaknesses of buyers and sellers.

2016 R	2015 R
65 961 831	62 370 400
	62 378 400 (8 000)
(1 307 000)	-
6 922 100	-
-	-
(3 165 131)	3 591 431
<b>68 411 800</b>	<b>65 961 831</b>
80 899	70 012
29 521	24 654
-	-

**13 INTANGIBLE ASSETS**

**Computer Software and Servitudes**

**Net Carrying amount at 1 July**

Cost  
Balance previously reported  
Correction of error see note 39.01( i )

Accumulated Amortisation

Balance previously reported  
Correction of error see note 39.01( i )

Amortisation

Balance previously reported  
Correction of error see note 39.01( i )

**Net Carrying amount at 30 June**

Cost  
Accumulated Amortisation

Computer Software were assets to have a life span of 15 years, Servitudes has an indefinite life span.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

282 487	317 630
547 669	547 669
	773 006 (225 337)
(265 182)	(230 039)
	(348 846) 118 808
(35 143)	(35 143)
	(50 164) 15 021
<b>247 343</b>	<b>282 487</b>
547 669	547 669
(300 325)	(265 182)

**14 LONG-TERM RECEIVABLES**

Housing Selling Scheme Loans  
Receivables with repayment arrangements

**Total Long-Term Receivables**

Less: Provision for Debt Impairment

**Total Net Long Term Receivables**

Less: Current portion transferred to current receivables

**Total Long Term Receivables**

The carrying amount of these assets approximates their fair value.

**The provision for Debt Impairment could be allocated to the different classes of Long-Term Receivables as follows:**

Receivables subject to repayment arrangements

**Total Provision for Debt Impairment**

-	-
916 732	1 074 602
916 732	1 074 602
(458 366)	(537 301)
<b>458 366</b>	<b>537 301</b>
(346 214)	(382 632)
<b>112 151</b>	<b>154 669</b>
(458 366)	(537 301)
<b>(458 366)</b>	<b>(537 301)</b>

Receivables subject to repayment arrangements are debtors which are repaying their outstanding consumers accounts over a period of more than 12 months.

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>15</b>	<b>INVENTORY</b>		
	Consumable Stores - at cost	28 464	45 378
	Water - at purification cost	423 564	332 871
	Graves - at nett realisable value	54 035	46 316
	Land Held for Resale - at cost	-	-
	<b>Total Inventory</b>	<b>506 063</b>	<b>424 565</b>
	No inventory assets were pledged as security for liabilities.		
<b>16</b>	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	<b>Service Receivables</b>	<b>50 571 082</b>	<b>48 519 460</b>
	Electricity	7 675 909	7 162 640
	Water	8 790 227	8 467 169
	Refuse	8 839 532	8 381 651
	Sewerage	10 073 097	10 145 807
	Other	15 192 317	14 362 193
	<b>Other Receivables</b>	<b>229 825</b>	<b>263 651</b>
	Sundry Receivables	229 825	263 651
	<b>Total Receivables from Exchange Transactions</b>	<b>50 800 907</b>	<b>48 783 111</b>
	Less: Provision for Debt Impairment	(37 909 285)	(37 077 675)
	<b>Total Net Receivables from Exchange Transactions</b>	<b>12 891 622</b>	<b>11 705 436</b>
	Consumer debtors are receivable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
	Receivables to an amount of R4 million are pledged as security for financial liabilities.		
	<b>Reconciliation of Provision for Debt Impairment</b>		
	Balance at beginning of year	42 238 535	36 305 205
	Contribution to provision	11 775 563	10 496 093
	Bad Debts Written Off	(10 592 182)	(4 562 763)
	<b>Balance at end of year</b>	<b>43 421 916</b>	<b>42 238 535</b>
	Receivables from Exchange Transactions	37 909 285	37 077 675
	Receivables from Non-Exchange Transactions	5 054 264	4 623 559
	Long term receivables	458 366	537 301
	Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.		
	<b>Summary of debtors by customer classification</b>		
	<b>Consumers</b>		
	Current (0 - 30 days)	10 029 245	9 920 941
	31 - 60 Days	4 098 611	3 841 173
	61 - 90 Days	2 689 623	2 172 433
	91 - 120 Days	1 682 345	1 637 260
	+ 120 Days	35 090 609	35 473 586
	<b>Total</b>	<b>53 590 432</b>	<b>53 045 393</b>
	<b>Industrial/Commercial</b>		
	Current (0 - 30 days)	823 757	734 155
	31 - 60 Days	182 976	182 765
	61 - 90 Days	25 249	64 956
	91 - 120 Days	46 360	23 727
	+ 120 Days	477 942	368 824
	<b>Total</b>	<b>1 556 284</b>	<b>1 374 427</b>
	<b>National and Provincial Government</b>		
	Current (0 - 30 days)	790 195	88 957
	31 - 60 Days	41 653	13 988
	61 - 90 Days	37 668	8 460
	91 - 120 Days	14 840	7 556
	+ 120 Days	1 959 967	586 216
	<b>Total</b>	<b>2 844 323</b>	<b>705 177</b>

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>Ageing of Receivables from Exchange Transactions:</b>		
<b><u>(Electricity): Ageing</u></b>		
Current (0 - 30 days)	4 960 110	4 869 020
31 - 60 Days	1 139 101	1 076 773
61 - 90 Days	674 023	266 170
91 - 120 Days	93 845	108 413
+ 120 Days	808 831	842 264
<b>Total</b>	<b>7 675 909</b>	<b>7 162 640</b>
<b><u>(Water): Ageing</u></b>		
Current (0 - 30 days)	906 386	980 909
31 - 60 Days	735 951	601 838
61 - 90 Days	552 872	477 920
91 - 120 Days	441 381	338 805
+ 120 Days	6 153 636	6 067 697
<b>Total</b>	<b>8 790 227</b>	<b>8 467 169</b>
<b><u>(Refuse): Ageing</u></b>		
Current (0 - 30 days)	1 089 635	1 165 091
31 - 60 Days	533 100	565 354
61 - 90 Days	376 971	376 895
91 - 120 Days	317 932	321 760
+ 120 Days	6 521 894	5 952 551
<b>Total</b>	<b>8 839 532</b>	<b>8 381 651</b>
<b><u>(Sewerage): Ageing</u></b>		
Current (0 - 30 days)	1 163 994	1 168 080
31 - 60 Days	596 247	610 512
61 - 90 Days	422 655	427 309
91 - 120 Days	356 408	360 940
+ 120 Days	7 533 793	7 578 966
<b>Total</b>	<b>10 073 097</b>	<b>10 145 807</b>
<b><u>(Other): Ageing</u></b>		
Current (0 - 30 days)	1 374 872	560 639
31 - 60 Days	724 657	608 294
61 - 90 Days	446 279	397 972
91 - 120 Days	332 592	334 190
+ 120 Days	12 313 918	12 461 098
<b>Total</b>	<b>15 192 317</b>	<b>14 362 193</b>
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	9 494 998	8 743 739
31 - 60 Days	3 729 055	3 462 771
61 - 90 Days	2 472 800	1 946 266
91 - 120 Days	1 542 158	1 464 108
+ 120 Days	33 332 071	32 902 576
<b>Total</b>	<b>50 571 082</b>	<b>48 519 460</b>
<b>RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Rates	7 419 957	6 605 537
Fines	3 624 671	1 982 736
Other Receivables	1 525 948	1 140 455
Eskom Deposits	320 454	303 030
Suspense Debtors	1 205 494	837 425
<b>Total Receivables from Non-Exchange Transactions</b>	<b>12 570 576</b>	<b>9 728 728</b>
Less: Allowance for Doubtful Debts	(5 054 264)	(4 623 559)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>7 516 312</b>	<b>5 105 169</b>

The entire provision for bad debts relates to the outstanding rates balance.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

Ageing of Receivables from Non-Exchange Transactions:

<b><u>(Rates): Ageing</u></b>		
Current (0 - 30 days)	2 148 199	2 000 312
31 - 60 Days	594 186	575 155
61 - 90 Days	279 739	299 583
91 - 120 Days	201 388	204 435
+ 120 Days	4 196 446	3 526 052
<b>Total</b>	<b>7 419 957</b>	<b>6 605 537</b>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
<b>18</b>	<b>OPERATING LEASE ARRANGEMENTS</b>		
<b>18.1</b>	<b>The Municipality as Lessor (Asset)</b>		
	<b>Balance on 1 July</b>	58 244	34 401
	Movement during the year	24 097	23 843
	Balance Previously Reported		(7 254)
	Correction of error - see note 39.01		31 097
	<b>Balance on 30 June</b>	<b>82 341</b>	<b>58 244</b>
	At the Statement of Financial Position date, where the Municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	112 263	101 009
	1 to 5 Years	283 199	284 673
	More than 5 Years	275 623	353 413
	<b>Total Operating Lease Arrangements</b>	<b>671 085</b>	<b>739 095</b>
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
	The Municipality is leasing land and buildings to different rate payers for periods ranging from 36 to 120 months with escalations of between 3% and 10% per year.		
	The leases are in respect of land and buildings being leased out for previous ranging until 2019.		
	The municipality does not engage in any sub-lease arrangements.		
	The municipality did not receive any contingent rent during the year		
<b>19</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	<b>Assets</b>		
	Bank Accounts	8 870 324	10 726 798
	Cash Floats	5 850	6 150
	Call Investment deposits	1 500 000	-
	<b>Total Cash and Cash Equivalents - Assets</b>	<b>10 376 174</b>	<b>10 732 948</b>
	<b>Call Investment Deposits</b>		
	Investec	1 500 000	-
		<b>1 500 000</b>	<b>-</b>
	The Municipality has the following bank accounts:		
	<b>Current Accounts - Assets</b>		
	ABSA Bank - Account Number 4550-1900-3588-9018	-	-
	ABSA Bank - Account Number 40-5057-5029	6 551 056	5 407 428
	ABSA Bank - Account Number 40-7513-2844	730 915	486 744
	ABSA Bank - Account Number 40-7512-9982	941 668	2 902 302
	ABSA Bank - Account Number 40-7554-5657	633 158	1 930 324
	ABSA Bank - Account Number 40-7670-7628	13 526	-
		<b>8 870 324</b>	<b>10 726 798</b>
	<b>Current Accounts - Liabilities</b>		
	ABSA Bank - Account Number 40-5057-5029	-	-
	<b>ABSA Bank - Account Number 40-5057-5029</b>		
	Cash book balance at beginning of year	5 407 428	(750 056)
	Cash book balance at end of year	6 551 056	5 407 428
	Bank statement balance at beginning of year	5 028 549	2 306 463
	Bank statement balance at end of year	6 555 345	5 028 549
	<b>ABSA Bank - Account Number 40-7513-2844</b>		
	Cash book balance at beginning of year	486 744	247 023
	Cash book balance at end of year	730 915	486 744
	Bank statement balance at beginning of year	486 744	247 023
	Bank statement balance at end of year	730 915	486 744
	<b>ABSA Bank - Account Number 40-7512-9982</b>		
	Cash book balance at beginning of year	2 902 302	1 314 696
	Cash book balance at end of year	941 668	2 902 302
	Bank statement balance at beginning of year	2 902 302	1 314 696
	Bank statement balance at end of year	941 668	2 902 302
	<b>ABSA Bank - Account Number 40-7554-5657</b>		
	Cash book balance at beginning of year	1 930 324	1 267 712
	Cash book balance at end of year	633 158	1 930 324
	Bank statement balance at beginning of year	1 930 324	1 267 712
	Bank statement balance at end of year	633 158	1 930 324
	<b>ABSA Bank - Account Number 40-7670-7628</b>		
	Cash book balance at beginning of year	-	612 668
	Cash book balance at end of year	13 526	-
	Bank statement balance at beginning of year	-	612 668
	Bank statement balance at end of year	-	-

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

20	PROPERTY RATES	2016 R	2015 R
	<u>Actual</u>		
	<b>Rateable Land and Buildings</b>		
	Residential, Commercial Property, State	36 598 497	32 573 584
	<b>Total Assessment Rates</b>	<b>36 598 497</b>	<b>32 573 584</b>
	<b>Rates:</b>		
	Residential	0.01044 c/R	0.00985 c/R
	Commercial	0.01044 c/R	0.00985 c/R
	Agricultural (2010 - less 65% rebate)	0.02611 c/R	0.00246 c/R
	DMA Agricultural	0.00055 c/R	0.00052 c/R
	Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2011. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.		
	Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.		
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
21	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>		
	<b>Unconditional Grants</b>	<b>41 409 000</b>	<b>39 922 000</b>
	Equitable Share	41 409 000	39 922 000
	<b>Conditional Grants</b>	<b>36 219 434</b>	<b>36 339 189</b>
	CDW's	144 000	147 818
	Department of Mineral Resources	2 499 728	1 085 272
	Department of Sport and Culture	416 641	-
	FMSG	782 256	998 012
	FMG	1 450 000	1 450 000
	Housing	-	-
	Library Services	5 660 000	6 502 984
	MIG	20 716 000	22 060 482
	MSIG	929 768	759 232
	EPWP	1 000 000	1 201 000
	DWAF	1 500 000	1 058 000
	Neighbourhood Development	-	680 389
	Public Transport	59 000	46 000
	Municipal Performance Management Grant	-	100 000
	Municipal Capacity Building Grant	500 000	-
	Municipal Infrastructure Support Grant	300 000	250 000
	WC Financial Support for IDP related Projects	62 041	-
	Thusong services centres operational grant	200 000	-
	<b>Total Government Grants and Subsidies</b>	<b>77 628 434</b>	<b>76 261 189</b>
	Government Grants and Subsidies - Capital	25 497 323	26 620 822
	Government Grants and Subsidies - Operating	52 131 111	49 640 367
		<b>77 628 434</b>	<b>76 261 189</b>
	<b>Revenue recognised per vote as required by Section 123 (c) of the MFMA</b>		
	Equitable share	41 409 000	39 922 000
	Executive and Council	-	469 389
	Budget and treasury office	27 452 706	28 699 444
	Corporate Services	1 392 077	663 244
	Community and social services	5 706 044	5 252 284
	Road Transport	1 059 000	1 247 000
	Electricity	597 883	7 828
		<b>77 616 710</b>	<b>76 261 189</b>
	The Municipality does not expect any significant changes to the level of grants.		
21.1	<b>Equitable share</b>		
	Opening balance	-	-
	Grants received	41 409 000	39 922 000
	Conditions met - Operating	(41 409 000)	(39 922 000)
	Conditions met - Capital	-	-
	Conditions still to be met/(Grant Expenditure to be recovered)	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the Municipality by the National Treasury.		
21.2	<b>Local Government Financial Management Grant (FMG)</b>		
	Opening balance	-	-
	Grants received	1 450 000	1 450 000
	Conditions met - Operating	(1 450 000)	(1 450 000)
	Conditions met - Capital	-	-
	Conditions still to be met/(Grant Expenditure to be recovered)	-	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016 R</b>	<b>2015 R</b>
<b>21.3 Municipal Systems Improvement Grant</b>		
Opening balance	174 768	-
Grants received	930 000	934 000
Grants repaid	(175 000)	
Conditions met - Operating	(892 077)	(663 244)
Conditions met - Capital	(37 691)	(95 988)
Conditions still to be met/(Grant Expenditure to be recovered)	<b>-</b>	<b>174 768</b>
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
<b>21.4 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	-	4 597 482
Grants received	20 716 000	20 089 000
Grants repaid	-	(2 626 000)
Conditions met - Capital	(20 716 000)	(22 060 482)
Conditions still to be met/(Grant Expenditure to be recovered)	<b>-</b>	<b>-</b>
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
<b>21.6 Department of Mineral Resources</b>		
Opening balance	414 728	-
Grants received	2 500 000	1 500 000
Grants repaid	(415 000)	-
Conditions met - Capital	(2 499 728)	(1 085 272)
Conditions still to be met/(Grant Expenditure to be recovered)	<b>-</b>	<b>414 728</b>
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
<b>21.7 Other Grants</b>		
Opening balance	916 639	955 841
Grants received	10 518 000	10 945 000
Conditions met - Operating	(8 380 034)	(7 605 123)
Conditions met - Capital	(2 243 904)	(3 379 079)
Conditions still to be met/(Grant Expenditure to be recovered)	<b>810 701</b>	<b>916 639</b>
Various grants were received from other spheres of government (e.g. Library Services Grant and Neighbourhood Development Grant).		
<b>21.8 Total Grants</b>		
Opening balance	1 506 135	5 553 324
Grants received	77 523 000	74 840 000
Grants repaid	(590 000)	(2 626 000)
Conditions met - Operating	(52 131 111)	(49 640 368)
Conditions met - Capital	(25 497 322)	(26 620 821)
Conditions still to be met/(Grant expenditure to be recovered)	<b>810 701</b>	<b>1 506 135</b>
<b>Disclosed as follows:</b>		
Unspent Conditional Government Grants and Receipts	810 703	1 506 135
Unpaid Conditional Government Grants and Receipts	<b>-</b>	<b>-</b>
	<b>810 703</b>	<b>1 506 135</b>
<b>22 SERVICE CHARGES</b>		
<b>Electricity</b>	93 772 998	84 374 508
Service Charges	94 045 085	85 275 693
Less: Revenue foregone	(272 087)	(901 185)
<b>Water</b>	15 164 646	17 694 999
Service Charges	15 442 567	17 988 003
Less: Revenue foregone	(277 921)	(293 004)
<b>Refuse removal</b>	13 274 805	12 995 056
Service Charges	16 487 768	15 363 669
Less: Revenue foregone	(3 212 963)	(2 368 613)
<b>Sewerage and Sanitation Charges</b>	13 009 647	12 966 227
Service Charges	16 889 158	15 796 263
Less: Revenue foregone	(3 879 511)	(2 830 036)
<b>Total Service Charges</b>	<b>135 222 096</b>	<b>128 030 790</b>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>23</b>	<b>OTHER INCOME</b>	<b>2016 R</b>	<b>2015 R</b>
	Advertising	32 677	40 203
	Application Fees - Town Planning	66 284	106 211
	Aqua Kultuur	-	137 173
	Building Plan Fees	295 511	239 334
	Cemetery	435 306	445 226
	Cemetery Digging	6 680	9 361
	Encroachments	47 515	33 983
	Namakwa fees	-	-
	Housing Redeemed	88 448	69 879
	Insurance Claims	156 308	356 731
	Photocopies	19 976	30 297
	Refuse Bags	-	-
	Roadworthy Certificates	706 534	687 892
	Subscription Fees	482	298
	Sundry Income - Finance	1 964 179	2 821 220
	Balance Previously Reported		2 692 036
	Correction of Error - see note 39.01 (p)		129 183
	Valuation Certificates	104 995	90 133
	Telephone	57 957	103 217
	<b>Total Other Income</b>	<b>3 982 853</b>	<b>5 171 157</b>
Sundry Income (Finance) includes an amount for the Landfill site. The decrease in liability exceeded the carrying amount of the asset, and the excess was recognized as income.			
<b>24</b>	<b>CONTRIBUTING PROPERTY PLANT AND EQUIPMENT</b>		
	Contribution Property Plant and Equipment	27 281 333	11 560 003
	<b>Total Contributing Property, Plant and Equipment</b>	<b>27 281 333</b>	<b>11 560 003</b>
Department of Land Reforms and Department of Housing contributed towards the construction of infrastructure assets			
<b>25</b>	<b>FAIR VALUE ADJUSTMENTS</b>		
	Fair Value adjustments of Investment Property	(3 165 131)	3 591 431
	<b>Total Fair Value Adjustments</b>	<b>(3 165 131)</b>	<b>3 591 431</b>
<b>26</b>	<b>RENTAL OF FACILITIES AND EQUIPMENT</b>		
	Strandfontein	2 376 453	2 101 392
	Other rentals	1 606 108	1 142 088
	Balance Previously Reported		1 240 174
	Correction of error - see note 39.01 (p)		(129 183)
	Correction of error - see note 39.01 (o)		31 097
	<b>Total Rental of Facilities and Equipment</b>	<b>3 982 560</b>	<b>3 243 480</b>
<b>27</b>	<b>FINES</b>		
	Municipal Traffic Fines	2 196 165	2 350 965
	Provincial Traffic Fines	1 238 444	1 186 120
	Other	40 267	28 556
	<b>Total Fines</b>	<b>3 474 876</b>	<b>3 565 641</b>
<b>28</b>	<b>EMPLOYEE RELATED COSTS</b>		
	Bonuses	4 616 459	4 020 417
	Contributions for UIF, pensions and medical aids	13 947 354	12 028 669
	Housing Subsidy	162 686	204 562
	Long service awards	458 858	396 840
	Overtime	3 577 116	2 839 420
	Post Employment Health	1 234 488	1 002 877
	Protective Clothing	467 651	323 746
	Provision for Staff Leave	875 733	972 100
	Salaries and Wages	64 254 187	55 769 704
	Skills Development Levy and Training	395 117	547 458
	Travel, motor car, telephone, assistance and other allowances	3 539 851	3 258 448
	<b>Total Employee Related Costs</b>	<b>93 529 500</b>	<b>81 364 241</b>

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>KEY MANAGEMENT PERSONNEL</b>		
Municipal Manager is appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable at the end of the contract period. All other Directors are permanently appointed.		
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
<b>Remuneration of the Director Technical Services: J PEKEUR</b>		
Annual Remuneration	668 742	582 544
Bonus	154 903	38 400
Contributions for UIF, pensions and medical aids	162 346	150 427
Travel, motor car, telephone, assistance and other allowances	92 563	74 568
Skills Development Levy and Training		7 301
<b>Total</b>	<b>1 078 553</b>	<b>853 240</b>
Included in remuneration of the Director Technical Services is also the allowance for acting as Municipal Manager during current financial year		
<b>Remuneration of the Director Corporate Services: W CONRADIE</b>		
Annual Remuneration	551 564	539 048
Bonus	65 978	
Contributions for UIF, pensions and medical aids	155 478	144 109
Travel, motor car, telephone, assistance and other allowances	86 972	71 960
Skills Development Levy and Training		6 087
<b>Total</b>	<b>859 993</b>	<b>761 204</b>
Included in remuneration of the Director Corporate Services is also the allowance for acting as Municipal Manager during current financial year		
<b>Remuneration of the Director Community Services: J SWARTZ</b>		
Annual Remuneration	634 842	626 192
Bonus		6 600
Contributions for UIF, pensions and medical aids	166 062	152 647
Travel, motor car, telephone, assistance and other allowances	62 433	56 633
Skills Development Levy and Training		7 228
<b>Total</b>	<b>863 337</b>	<b>849 300</b>
Included in remuneration of the Director Community Services is also the allowance for acting as Municipal Manager during current financial year		
<b>Remuneration of the Director Financial Services: M BOLTON (Resigned March 2016)</b>		
Annual Remuneration	861 728	961 433
Bonus	140 535	65 467
Contributions for UIF, pensions and medical aids	495 802	151 053
Travel, motor car, telephone, assistance and other allowances	2 044 469	76 237
Skills Development Levy and Training	-	11 054
<b>Total</b>	<b>3 542 535</b>	<b>1 265 244</b>
Included in remuneration of the Director Financial Services is also the allowance for acting as Municipal Manager during current financial year.		
<b>Remuneration of the Director Planning and Development: L PHILLIPS</b>		
Annual Remuneration	525 875	108 116
Bonus	12 487	
Contributions for UIF, pensions and medical aids	1 785	297
Housing Subsidy		13 131
Travel, motor car, telephone, assistance and other allowances	322 499	22 539
Skills Development Levy and Training		1 284
<b>Total</b>	<b>862 645</b>	<b>145 367</b>



**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		<b>2016</b>	<b>2015</b>
		<b>R</b>	<b>R</b>
<b>29</b>	<b>REMUNERATION OF COUNCILLORS</b>		
	PG Bok	778 880	663 855
	DS Goedeman	-	498 779
	MC Witbooi	620 961	559 740
	MJ Smith	249 349	236 416
	DD Jenner	-	-
	R Stephan	249 349	236 416
	A Sinyamba	249 349	236 416
	F Bam	589 378	559 740
	EL Mqingqi	249 349	236 416
	WH Nell	627 278	595 664
	AGM Julies	124 674	-
	C vd Westruis	249 349	285 671
	D Okhuis	235 273	-
	AGM Julies	-	236 416
	J Botha	589 378	587 534
	W Fortuin	480 605	236 416
	Y Cloete	249 349	236 416
	B Julies	249 349	236 416
	DR Fredericks	115 961	-
	<b>Total Councillors' Remuneration</b>	<b>5 907 832</b>	<b>5 642 312</b>
	<b>Remuneration of councillors can be summarised as follows:</b>		
	Salaries	4 731 021	4 447 955
	Travel, motor car, telephone, assistance and other allowances	654 741	654 270
	Contributions for UIF, pensions and medical aids	522 069	540 086
	<b>Total Councillors' Remuneration</b>	<b>5 907 832</b>	<b>5 642 312</b>
	Mayor	778 880	740 105
	Deputy Mayor	522 732	498 779
	Speaker	627 278	595 664
	Mayoral Committee	1 678 786	1 679 782
	Councillors	2 300 156	2 127 981
	<b>Total Councillors' Remuneration</b>	<b>5 907 832</b>	<b>5 642 312</b>
	<b>In-kind Benefits</b>		
	The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.		
<b>30</b>	<b>DEBT IMPAIRMENT</b>		
	Trade Receivables from exchange transactions - Note 16	11 139 134	9 276 196.94
	Trade Receivables from non-exchange transactions	636 429	1 219 896
	VAT Portion of Provision - note 10	(224 474)	(479 385)
	<b>Total Debt Impairment</b>	<b>11 551 089</b>	<b>10 016 708</b>
<b>31</b>	<b>DEPRECIATION AND AMORTISATION</b>		
	Property Plant and Equipment	12 849 599	12 032 252
	Intangible Assets	35 143	35 143
	<b>Total Depreciation and Amortisation</b>	<b>12 884 742</b>	<b>12 067 395</b>
<b>32</b>	<b>REVERSAL OF IMPAIRMENT LOSS</b>		
	Property, Plant & Equipment	(106 435)	(87 825)
	Balance previously reported		(59 781)
	Correction of error - see note 39.01( n)		(28 043)
	<b>Total Impairments</b>	<b>(106 435)</b>	<b>(87 825)</b>
	The reversal of impairment relate to the capitalised restoration costs. The reversal of impairment was caused by the change in the discount rate which is linked to prime rate		
<b>33</b>	<b>FINANCE CHARGES</b>		
	Long-term Liabilities	3 389 283	3 767 345
	Landfill Sites	2 440 494	2 230 577
	Balance previously reported		1 893 759
	Correction of error - see note 39.02 (l)		336 818
	Post Employment Health	2 110 024	1 835 454
	Long service awards	373 536	346 304
	Interest paid on arrear account	44 500	570
	Balance previously reported		54 671
	Correction of error - see note 39.01 (h)		(54 101)
	<b>Total Finance Charges</b>	<b>8 357 836</b>	<b>8 180 249</b>
<b>34</b>	<b>REPAIRS AND MAINTENANCE</b>		
	Repairs and Maintenance	8 272 092	8 494 841
	Balance previously reported		8 227 616
	Correction of error - see note 39.01( r )		267 225
	<b>Total Repairs and Maintenance</b>	<b>8 272 092</b>	<b>8 494 841</b>
<b>35</b>	<b>BULK PURCHASES</b>		
	Electricity	77 356 365	68 116 282
	Water	5 299 206	5 702 564
	<b>Total Bulk Purchases</b>	<b>82 655 571</b>	<b>73 818 846</b>

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>36</b>	<b>CONTRACTED SERVICES</b>		
	Speeding	-	63 690
	Balance previously reported		4 565
	Correction of error - see note 39.01 (j)		59 125
	Other	-	-
	<b>Total Contracted Services</b>	<b>-</b>	<b>63 690</b>
<b>37</b>	<b>GRANTS AND SUBSIDIES</b>		
	Donations General	-	-
	Life Guards	123 900	129 940
	Poverty Alleviation	4 704	10 903
	Tourism	824 273	786 520
	Sport development	4 000	867
	<b>Total Grants and Subsidies</b>	<b>956 876</b>	<b>928 230</b>
<b>38</b>	<b>GENERAL EXPENSES</b>		
	Advertisements	177 276	182 877
	Aqua Kultuur	-	84 282
	Audit Committee Fees	42 185	51 075
	Audit Fees	1 669 674	1 527 368
	Bank Charges	267 084	425 021
	Cleaning Material	90 178	118 751
	Commission Paid	1 396 084	1 158 851
	Computer Charges	538 187	522 689
	Consulting fees	3 299 895	3 791 703
	Contributions	174 742	67 657
	Development Programmes	260 430	260 036
	Embellishment of Towns	2 131	1 962
	Entertainment Costs	9 284	8 532
	Fuel	3 570 255	3 519 056
	Gas	63 556	82 488
	Information Signs	1 620	31 893
	Insurance	887 822	784 186
	Municipal Services	1 944 090	2 145 583
	Mosters	522 529	391 377
	Photocopies	44 917	76 456
	Postage	34 788	55 067
	Printing and Stationary	905 504	833 401
	Prodiba payments	256 829	266 388
	Public Entertainment	124 846	103 326
	Rental	75 004	112 482
	Rental external networks-IT	1 306 634	1 433 425
	Security Costs	627 280	605 083
	Service Connection Fees	280 798	320 853
	Services	102 541	136 708
	Subscription Fees	831 889	776 158
	Survey Costs	16 750	14 061
	Telephone	1 150 361	1 346 323
	Training Costs	961	24 951
	Travel and Subsistence	1 767 938	1 378 678
	Valuation Costs	1 358 905	80 000
	Other	2 031 113	1 070 740
	<b>General Expenses</b>	<b>25 834 080</b>	<b>23 789 487</b>
<b>39</b>	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
<b>39.01</b>	<b>(a)</b>	First time recognition of Other Assets at Cost as at 1 July 2007. This is now corrected with the following entries. Dt Other Assets at Cost Opening balance R330 414.58, (Ct) Accumulated Surplus Prior Year R 330 414.58. Dt Accumulated Surplus Prior Year, R154 193.47, and (Ct) Accumulated Depreciation Opening balance R154 193.47. Dt Accumulated Surplus Current Year R22 027.64 and (Ct) Accumulated Depreciation 2014/15 R 22 027.64	
	<b>(b)</b>	First time recognition of Land&Buildings at Cost as at 1 July 2007. This is now corrected with the following entries. Dt Land&Buildings at Cost Opening balance R129 500, (Ct) Accumulated Surplus Prior Year R129 500. Dt Accumulated Surplus Prior Year R7 175, (Ct) Accumulated Depreciation Land&Buildings Opening balance R7 175. Dt Accumulated Surplus Current Year R1 014, (Ct) Accumulated Depreciation 2014/15 R1 014	
	<b>(c)</b>	Correction of error - Duplicate asset Erf 163 Doringbaai on Investment Property. This is now corrected with the following entries. Dt Accumulated Surplus Opening balance R8000, (Ct) Investment Property Opening balance R8000	
	<b>(d)</b>	Correction of Infrastructure Assets - Lutzville Housing IRDP External Services, Payment Certificate 3 2012/13 only paid in during 2015/16 financial year. This is now corrected with the following entries. (Dt) Infrastructure Assets at Cost Opening balance, R 921 848.20, (Ct) Accumulated Surplus Prior Year R921 848.20. Dt Accumulated Surplus Prior Year R31 812.30, (Ct) Accumulated Depreciation Infrastructure assets Opening Balance R31 812.30. Dt Accumulated Surplus Current year R31 812.30, and (Ct) Accumulated Depreciation Infrastructure 2014/15 R31 812.30	

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

- (e) Correction of Payables from Exchange Transactions Opening balance - Lutzville Housing IRDP External Services Payment Certificate 3 - 2012/13 not provided for. This was only paid during 2015/16. This is now corrected with the following entries. Dt Accumulated Surplus R921 848.20, (Ct) Payables from Exchange Transactions R921 848.20
- (f) Correction of Unspent Conditional Grants 2014/15 incorrectly classified as Payables from Exchange Transactions. This is now corrected with the following entries. Dt Payables from Exchange Transactions 2014/15 R 1 202 249.53 , (Ct) Unspent Conditional Grants 2014/15 R1 202 249.53
- (g) Correction of Sport & Recreation Unspent grant, grant was spent in prior periods. This grant was spent in prior periods and permission granted to use the remaining funds in 2015/16. This is now corrected with the following entries. Dt Unspent Grants R 785 608.15 and (Ct) Accumulated Surplus Prior Year R 785 608.15
- (h) Correction of interest paid incorrectly provided for in 2014 on Unspent Sport and Recreation Grant. This is now corrected with the following entries. (Dt) Payables from exchange transactions R 54 101.23 and (Ct) Accumulated Surplus Current Year R54 101.23
- (i) Correction of items incorrectly classified as Intangible assets in prior periods. This is now corrected with the following entries. Dt Accumulated Surplus Prior Year R 225 337.33, (Ct) Intangible Assets at Cost Opening balance R225 337.33. Dt Accumulated Impairments Intangible Assets Opening balance R118 807.58, (Ct) Accumulated Surplus Prior Year R118 807.58. Dt. Accumulated Impairments Intangible assets 2014/15 , R15 021 and (Ct) Accumulated Surplus Current Year R15 021.
- (j) Correction of Payables from Exchange transactions, MVS Payment 2014/15 not provided for as outstanding creditor at year end. This is now corrected with the following entries. Dt Accumulated Surplus Current Year 2014/15 R59 125, (Ct) Payables from exchange transactions 2014/15 R 59 125
- (k) Correction of Non-Current Provisions - Landfill sites Opening balance of Ebenhaeser and Koekenaap omitted previously. This is now corrected with the following entries. Dt Capitalised Restoration Cost Opening balance R5 595 076.69, (Ct) Landfill Site Provision Opening balance R5 595 076.69.
- (l) Correction of Non-Current Provisions - Lanfill site interest - Ebenhaeser and Koekenaap omitted previously. This is now corrected with the following entries. Dt Accumulated Surplus Prior Year R834 769.15, (Ct) Landfill Site Provision Opening balance R834 769.15. Dt Accumulated Surplus Current year, R336 818. 23 and (Ct) Landfill Site Provision 2014/15 R336 818.23
- (m) Correction of Landfill Site Accumulated Depreciation - Ebenhaeser and Koekenaap omitted previously. This is now corrected with the following entries. Dt Accumulated Surplus Prior Year R1 387 598 and (Ct) Accumulated Depreciation Landfill site Opening balance R1 387 598. Dt Accumulated Surplus Current Year R460 482 and (Ct) Accumulated Depreciation Landfill Site 2014/15 R 460 482
- (n) Correction of Landfill Site Accumulated Impairments - Ebenhaeser and Koekenaap omitted previously. This is now corrected with the following entries. Dt Accumulated Surplus Prior Year R63 144 and (Ct) Accumulated Impairments Landfill Site Opening balance R63 144. Dt Accumulated Impairments 2014/15 R28043 and (Ct) Accumulated Surplus Current Year R28043
- (o) Correction of Operating Lease Assets 2014/15 - new lease for the Plastic Factory Vanrhynsdorp. This is now corrected with the following entries. Dt Operating Lease Assets 2014/15 R31 097.42 and (Ct) Accumulated Surplus Current year R31 097.42
- (p) Correction of Rental of Facilities 2014/15. Sundry Income- Finance previously incorrectly reported. This is now corrected with the following entries. Dt Rental of Facilities 2014/15 R 129 183 and (Ct) Other Income R 129 183
- (q) Correction of Infrastructure assets at Cost. Project previously shown as WIP, but relates to consultancy fees. This is now corrected with the following entries. Dt Accumulated Surplus Prior Year and (Ct) Infrastructure assets at Cost Opening balance R519 673
- (r) Correction of Infrastructure at Cost 2014/15 WIP - repairs and maintenance items incorrectly purchased against the capital suspense account. This is now corrected with the following entries. Dt Accumulated Surplus Current Year, R267 225 and (Ct) Infrastructure at Cost 2014/15 R267 225
- (s) Correction of Payables from Exchange transactions, Land&Gear 2014/15 not provided for as outstanding creditor at year end. This is now corrected with the following entries. Dt Accumulated Surplus Current Year 2014/15 R60 921, (Ct) Payables from exchange transactions 2014/15 R 60 921
- (t) Correction of Unspent Conditional Grants, as NDPG Funds was spent in full during 2014/15 financial year, and surplus funds to be recognized as revenue. This is now corrected with the following entries. Dt Unspent Conditional Grants 2014/15 R369 388.47, (Ct) Accumulated Surplus Current year R369 388.47

**39.02 Accumulated Surplus/(Deficit)**

	<b>2015 R</b>	<b>2014 R</b>
Balance previously reported	<b>422 359 353</b>	<b>381 856 939</b>
Correction of Other Assets at Cost Opening balance - see note 39.01(a)	330 415	330 415
Correction of Accumulated Depreciation Other assets Opening balance - see note 39.01 (a)	(154 193)	(154 193)
Correction of Accumulated Depreciation Other assets 2014/15 - see note 39.01 (a)	(22 028)	-
Correction of Land & Buildings at Cost Opening balance - see note 39.01 (b)	129 500	129 500
Correction of Accumulated Depreciation Land & Buildings Opening balance - see note 39.01(b)	(7 175)	(7 175)
Correction of Accumulated Depreciation Land & Buildings 2014/15 - see note 39.01(b)	(1 014)	-
Correction of Investment Property Opening balance - see note 39.01 ( c )	(8 000)	(8 000)
Correction of Infrastructure Assets at Cost Opening balance see note 39.01(d)	921 848	921 848
Correction of Accumulated Depreciation Infrastructure Opening balance see note 39.01(d)	(31 812)	(31 812)
Correction of Accumulated Depreciation Infrastructure 2014/15 - see note 39.01(d)	(31 812)	-
Correction of Payables from Exchange Transactions Opening balance - see note 39.01( e )	(921 848)	(921 848)
Correction of Unspent Grants Opening balance - see note 39.01 ( g )	785 608	785 608
Correction of Payables from Exchange Transactions 2014/15 - see note 39.01(h)	54 101	-
Correction of Intangible Assets at Cost Opening balance - see note 39.01(i)	(225 337)	(225 337)
Correction of Accumulated Amortisation Intangible Assets - see note 39.01(i)	118 808	118 808
Correction of Accumulated Amortisation Intangible assets 2014/15- see note 39.01(i)	15 021	-
Correction of Payables from Exchange Transactions 2014/15 - see note 39.01(j)	(59 125)	-
Correction of Non-Current Provisions Opening balance - see note 39.01 ( l )	(834 769)	(834 769)
Correction of Non-Current Provisions 2014/2015 - see note 39.01 ( l )	(336 818)	-
Correction of Landfill Site Accumulated Depreciation Opening balance - see note 39.01(m)	(1 387 598)	(1 387 598)
Correction of Landfill Site Accumulated Depreciation 2014/15 - see note 39.01(m)	(460 482)	0
Correction of Landfill Site Accumulated Impairments Opening balance - see note 39.01(n)	(63 144)	(63 144)
Correction of Landfill Site Accumulated Impairments 2014/15- see note 39.01(n)	28 043	0
Correction of Operating Lease Asset as at 30 June 2015- see note 39.01(o)	31 097	-
Correction of Infrastructure Assets Opening balance - see note 39.01(q)	(519 673)	(519 673)
Correction of Infrastructure at Cost - WIP 2014/15 - see note 39.01 ( r )	(267 225)	-
Correction of Payables from Exchange transactions 2014/15 - see note 39.01(s)	(60 921)	-
Correction of Unspent Grants 2014/15 - see note 39.01 ( t )	369 388	-
<b>Restated Balance</b>	<b>419 750 209</b>	<b>379 989 567</b>

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		2015 R	2014 R
<b>39.03</b>	<b>Property Plant and Equipment</b>	<b>COST</b>	<b>COST</b>
	Balance previously reported Property Plant & Equipment at Cost	<b>578 155 580</b>	<b>531 823 321</b>
	Correction of Other Assets at Cost Opening balance - see note 39.01(a)	330 415	330 415
	Correction of Land & Buildings at Cost Opening balance - see note 39.01 (b)	129 500	129 500
	Correction of Infrastructure Assets at Cost Opening balance see note 39.01(d)	921 848	921 848
	Correction of Landfill Site at Cost Opening balance - see note 39.01(k)	5 595 077	5 595 077
	Correction of Infrastructure Assets Opening balance - see note 39.01(q)	(519 673)	(519 673)
	Correction of Infrastructure at Cost - WIP 2014/15 - see note 39.01 ( r )	(267 225)	-
	<b>Restated Balance</b>	<b>584 345 522</b>	<b>538 280 488</b>
		<b>ACC DEPR</b>	<b>ACC DEPR</b>
	Balance previously reported Accumulated Depreciation Property Plant & Equipment	<b>102 222 356</b>	<b>91 419 877</b>
	Correction of Accumulated Depreciation Other assets Opening balance - see note 39.01 (a)	154 193	154 193
	Correction of Accumulated Depreciation Other assets 2014/15 - see note 39.01 (a)	22 028	-
	Correction of Accumulated Depreciation Land & Buildings Opening balance - see note 39.01(b)	7 175	7 175
	Correction of Accumulated Depreciation Land & Buildings 2014/15 - see note 39.01(b)	1 014	-
	Correction of Accumulated Depreciation Infrastructure Opening balance see note 39.01(d)	31 812	31 812
	Correction of Accumulated Depreciation Infrastructure 2014/15 - see note 39.01(d)	31 812	-
	Correction of Landfill Site Accumulated Depreciation Opening balance - see note 39.01(m)	1 387 598	1 387 598
	Correction of Landfill Site Accumulated Depreciation 2014/15 - see note 39.01(m)	460 482	-
	Correction of Landfill Site Accumulated Impairments Opening balance - see note 39.01(n)	35 101	-
	<b>Restated Balance</b>	<b>104 353 571</b>	<b>93 000 655</b>
<b>39.04</b>	<b>Investment Property</b>		
	Balance previously reported	<b>65 969 831</b>	<b>62 378 400</b>
	Correction of Investment Property Opening balance - see note 39.01( c )	(8 000)	(8 000)
	<b>Restated Balance</b>	<b>65 961 831</b>	<b>62 370 400</b>
<b>39.05</b>	<b>Payables from Exchange Transactions</b>		
	Balance previously reported	<b>23 856 489</b>	
	Correction of Payables from Exchange Transactions 2014/15 - see note 39.01(h)	(54 101)	-
	Correction of Payables from Exchange Transactions 2014/15 - see note 39.01(j)	59 125	-
	Correction of Payables from Exchange Transactions 2014/15 - see note 39.01(f)	(1 202 250)	-
	Correction of Payables from Exchange Transactions Opening balance - see note 39.01( e )	921 848	-
	Correction of Payables from Exchange transactions 2014/15 - see note 39.01(s)	60 921	-
	<b>Restated Balance</b>	<b>23 642 032</b>	<b>-</b>
<b>39.06</b>	<b>Unspent Conditional Government Grants and Receipts</b>		
	Balance previously reported	<b>2 661 134</b>	<b>6 338 933</b>
	Correction of Unspent Grants Opening balance - see note 39.01 ( g )	(785 608)	(785 608)
	Correction of Unspent Grants 2014/15 - see note 39.01 ( t )	(369 388)	-
	<b>Restated Balance</b>	<b>1 506 137</b>	<b>5 553 325</b>
<b>39.07</b>	<b>Intangible Assets</b>		
		<b>COST</b>	<b>COST</b>
	Balance previously reported	<b>773 006</b>	<b>773 006</b>
	Correction of Intangible Assets at Cost Opening balance - see note 39.01(i)	(225 337)	(225 337)
	<b>Restated Balance</b>	<b>547 669</b>	<b>547 669</b>
		<b>ACC Amortisation</b>	<b>ACC Amortisation</b>
	Balance previously reported	<b>399 011</b>	<b>348 846</b>
	Correction of Accumulated Amortisation Intangible Assets - see note 39.01(i)	(118 808)	(118 808)
	Correction of Accumulated Amortisation Intangible assets 2014/15- see note 39.01(i)	(15 021)	-
	<b>Restated Balance</b>	<b>265 182</b>	<b>230 039</b>
<b>39.08</b>	<b>Non-Current Provisions</b>		
	Balance previously reported	<b>43 970 037</b>	<b>36 151 776</b>
	Correction of Non-Current Provisions Opening Balance - see note 39.01(k)	5 595 077	5 595 077
	Correction of Non-Current Provisions Opening balance - see note 39.01 ( l )	834 769	834 769
	Correction of Non-Current Provisions 2014/2015 - see note 39.01 ( l )	336 818	-
	<b>Restated Balance</b>	<b>50 736 701</b>	<b>42 581 622</b>
<b>39.09</b>	<b>Operating Lease Assets</b>		
	Balance previously reported	<b>27 147</b>	
	Correction of Operating Lease Asset as at 30 June 2015- see note 39.01(o)	31 097	-
	<b>Restated Balance</b>	<b>58 244</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>40 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	42 191 407	44 370 642
<b>Adjustments for:</b>		
Depreciation and Amortisation	12 884 742	12 067 395
Finance Charges - Landfill Sites	2 440 494	2 230 577
Grants received	76 933 000	72 214 000
Grants recognised as revenue	(77 628 434)	(76 261 188)
Debt Impairment	11 551 089	10 016 708
Bad Debts Written off	(10 592 182)	(4 562 763)
Contribution from/to employee benefits - non-current	4 176 951	3 581 475
Contribution from/to employee benefits - non-current - expenditure incurred	(1 225 453)	(1 332 145)
Actuarial Losses	137 346	1 881 691
Actuarial Gains	(469 745)	(67 468)
Contribution to employee benefits – current	5 492 192	4 992 517
Contribution to employee benefits – current - expenditure incurred	(4 844 932)	(4 405 065)
Surplus recognised on changes in landfill site provision estimates	-	(1 918 847)
Impairment reversal	(106 435)	(87 825)
Operating lease income accrued	(24 097)	(23 843)
Loss on disposal of Property, Plant and Equipment	1 454 507	216 229
Fair value adjustments	3 165 131	(3 591 431)
Contribution Property Plant and Equipment	(27 281 333)	(11 560 003)
Operating Surplus before changes in working capital	38 254 248	47 760 657
Changes in working capital	(8 156 015)	(7 586 386)
Increase/(Decrease) in Payables from Exchange Transactions	(3 684 742)	1 905 598
Increase/(Decrease) in Taxes	469 870	(222 867)
(Increase)/Decrease in Inventory	(81 498)	(13 354)
Increase in Receivables from Exchange Transactions	(2 017 797)	(6 718 749)
Increase in Receivables from Non-Exchange Transactions	(2 841 848)	(2 537 015)
<b>Cash generated by operations</b>	<b>30 098 234</b>	<b>40 174 270</b>
<b>41 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Cash Floats - Note 19	5 850	6 150
Bank - Note 19	8 870 324	10 726 798
Call Investment Deposits	1 500 000	-
<b>Total cash and cash equivalents</b>	<b>10 376 174</b>	<b>10 732 948</b>
<b>42 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 41	10 376 174	10 732 948
Less:	4 185 703	6 494 839
Unspent Committed Conditional Grants - Note 9	810 703	1 506 135
VAT Payable - Note 10	-	378 704
Capital Replacement Reserve - Note 2	3 375 000	4 610 000
<b>Net cash resources available for internal distribution/(resources utilised for internal distribution)</b>	<b>6 190 471</b>	<b>4 238 109</b>
<b>43 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - note 3	25 969 551	30 074 936
Used to finance property, plant and equipment - at cost	(25 969 551)	(30 074 936)
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>			
<b>44.1 Unauthorised expenditure</b>			
Reconciliation of unauthorised expenditure:			
Opening balance		-	-
Unauthorised expenditure current year - capital		-	-
Unauthorised expenditure current year - operating		-	-
Written off/Condoned by council		-	-
Transfer to receivables for recovery		-	-
Unauthorised expenditure awaiting authorisation by municipal council		-	-
		<b>-</b>	<b>-</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
Over expenditure on votes	None	-	-
Utilisation of grant monies for operational expenditure	None	-	-
		<b>-</b>	<b>-</b>
		<b>-</b>	<b>-</b>
		<b>2016 R (Actual)</b>	<b>2016 R (Budget)</b>
		<b>2016 R (Variance)</b>	<b>2016 R (Unauthorised)</b>
<b>Unauthorised expenditure current year - capital</b>			
Vote 1 - Executive & Council	103 569	97 877	5 692
Vote 2 - Finance	285 707	265 000	20 707
Vote 4 - Community Services	3 895 127	4 066 743	(171 616)
Vote 5 - Public Works and Basic Services	22 514 971	25 810 507	(3 295 536)
Vote 6 - Development and Town planning Services	198 651	237 720	(39 069)
	<b>26 998 024</b>	<b>30 477 847</b>	<b>(3 479 823)</b>
<b>Unauthorised expenditure current year - operating</b>			
Vote 1 - Executive & Council	12 427 959	14 553 935	(2 125 976)
Vote 2 - Finance	40 982 380	41 638 080	(655 700)
Vote 3 - Corporate	13 845 470	14 018 814	(173 344)
Vote 4 - Community Services	39 107 540	40 475 315	(1 367 774)
Vote 5 - Public Works and Basic Services	140 033 852	141 126 455	(1 092 603)
Vote 6 - Development and Town planning Services	8 636 788	9 452 803	(816 014)
	<b>255 033 991</b>	<b>261 265 401</b>	<b>(6 231 410)</b>
<b>44.2 Fruitless and wasteful expenditure</b>			
Reconciliation of fruitless and wasteful expenditure:			
Opening balance		-	-
Fruitless and wasteful expenditure current year		-	-
Condoned by Council		-	-
Transfer to receivables for recovery		-	-
Fruitless and wasteful expenditure awaiting further action		-	-
		<b>-</b>	<b>-</b>
<b>44.3 Irregular expenditure</b>			
Reconciliation of irregular expenditure:			
Opening balance		-	-
Irregular expenditure current year		632 970	-
Condonement supported by Council		-	-
Transfer to receivables for recovery		-	-
Condonement supported by council		-	-
Irregular expenditure awaiting further action		<b>632 970</b>	<b>-</b>
Irregular expenditure awaiting condonement from National Treasury		-	-
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
Expenditure incurred in contrary to legislative supply chain requirements.	None	504 803	
Acting Allowance paid in contradiction with the Systems Act.	None	128 167	
		<b>632 970</b>	
Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. The section 32 investigation has not commenced therefor no steps have been taken at this stage to recover any monies.			
<b>44.4 Material Losses</b>			
<b>Water distribution losses</b>			
There were no material water distribution losses during the current and previous financial year			
<b>Electricity distribution losses</b>			
- Units purchased (Kwh)		82 104 222	81 975 912
- Units lost during distribution (Kwh)		11 658 420	13 604 779
- Percentage lost during distribution		14.20%	16.60%
Electricity losses decreased during 2016 financial year due to auditing and installation of new bulk meters			

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		2016 R	2015 R			
44.5	<b>Non-Material Losses</b>					
	Water distribution losses					
	- Kilo litres purchased	3 367 646	3 911 821			
	- Kilo litres lost during distribution	15 976	377 596			
	- Percentage lost during distribution	0.47%	9.65%			
45	<b>Additional disclosures in terms of Municipal Financial Management Act</b>					
45.1	<b>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>					
	Opening balance	-	-			
	Council subscriptions	927 020	773 521			
	Amount paid - current year	(927 020)	(773 521)			
	Amount paid - previous years	-	-			
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>			
45.2	<b>Audit fees - [MFMA 125 (1)(b)]</b>					
	Opening balance	-	-			
	Current year audit fee	1 963 673	1 792 274			
	External Audit - Auditor-General	1 911 033	1 741 199			
	Audit Committee	52 640	51 075			
	Amount paid - current year	(1 963 673)	(1 792 274)			
	Amount paid - previous year	-	-			
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>			
45.3	<b>VAT - [MFMA 125 (1)(b)]</b>					
	Opening balance	(378 703)	(368 731)			
	Amounts received - current year	(2 591 089)	(1 017 236)			
	Amounts paid - current year	3 000 980	1 828 067			
	Amounts (received)/paid - previous years	378 703	368 731			
	Amounts claimed - current year	35 429	(1 189 534)			
	<b>Closing balance - (Payable)/Receivable</b>	<b>445 321</b>	<b>(378 703)</b>			
	VAT in suspense due to cash basis of accounting					
	Input VAT	1 476 387	1 871 968			
	Output VAT	(1 964 899)	(1 291 060)			
	Claimable/(Payable)	<b>(488 512)</b>	<b>580 908</b>			
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.					
45.4	<b>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>					
	Opening balance	-	714 506			
	Current year payroll deductions and Council Contributions	11 900 708	10 018 386			
	Amount paid - current year	(11 900 708)	(10 732 892)			
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>			
45.5	<b>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>					
	Opening balance	-	-			
	Current year payroll deductions and Council Contributions	21 845 521	19 275 340			
	Amount paid - current year	(21 845 521)	(19 275 340)			
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>			
45.6	<b>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</b>					
	The following Councillors had arrear accounts for more than 90 days during the financial year.					
	Councillor F Bam	9 612	772			
	Councillor EL Mqingqi	42 933	38 558			
	Councillor M J Smith	15 720	626			
	Councillor BB Julies	3 552	-			
	Councillor D Okhuis	7 426	-			
	Councillor R Stephan	-	1 973			
	<b>Total Councillor Arrear Consumer Accounts</b>	<b>79 243</b>	<b>41 929</b>			
45.7	<b>Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation (36)(1)(a) &amp; (b)</b>					
		<b>Two Suppliers</b>	<b>Single Supplier</b>	<b>Sec 5.27</b>	<b>Emergency</b>	<b>Total</b>
		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
	Jul-15	79 819	178 198	-	1 895	259 912
	Aug-15	19 959	261 784	71 108	12 864	365 714
	Sep-15	13 610	272 567	440 682	-	726 859
	Oct-15	39 210	178 331	89 193	7 518	314 251
	Nov-15	70 694	268 801	94 171	25 194	458 860
	Dec-15	13 080	246 262	46 316	2 650	308 308
	Jan-16	89 116	223 757	381 503	15 456	709 832
	Feb-16	19 440	406 263	79 688	-	505 390
	Mar-16	14 150	390 369	129 350	31 750	565 619
	Apr-16	84 963	439 155	90 110	1 995	616 223
	May-16	122 349	465 111	104 316	6 899	698 675
	Jun-16	184 987	507 559	424 345	29 170	1 146 061
		<b>751 375</b>	<b>3 838 156</b>	<b>1 950 781</b>	<b>135 390</b>	<b>6 675 703</b>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>46</b>	<b>CAPITAL COMMITMENTS</b>		
	<b>Commitments in respect of capital expenditure:</b>		
	Approved and contracted for:		
	Infrastructure	-	2 992 976
		<b>-</b>	<b>2 992 976</b>
	This expenditure will be financed from:		
	Government Grants	-	2 992 976
		<b>-</b>	<b>2 992 976</b>

**47 FINANCIAL RISK MANAGEMENT**

The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The Municipality does not engage in foreign currency transactions.

**(b) Price risk**

The Municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the Municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The Municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2014 - .1.0%) Increase in interest rates	(109 580)	(126 712)
0.5% (2014 - 0.5%) Decrease in interest rates	54 790	63 356

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Receivables of R4 million are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 16 and 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

	2016 %	2016 R	2015 %	2015 R
<b>The provision for debt impairment could be allocated between the different classes of debtors as follows:</b>				
<u>Non-Exchange Receivables</u>				
Rates	7.93%	3 846 080	8.09%	3 415 375
Fines	2.81%	1 208 184	2.86%	1 208 184
Long Term Receivables	1.25%	458 366	1.27%	537 301
	<b>11.98%</b>	<b>5 512 631</b>	<b>12.22%</b>	<b>5 160 860</b>
<u>Exchange Receivables</u>				
Service Charges	88.02%	37 909 285	87.78%	37 077 675
	<b>100.00%</b>	<b>43 421 916</b>	<b>100.00%</b>	<b>42 238 535</b>



**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 %	2016 R	2015 %	2015 R
<b>The provision for debt impairment could be allocated between the different categories of debtors as follows:</b>				
Water	16.39%	7 115 198	16.16%	6 825 443
Electricity	2.71%	1 174 946	2.68%	1 130 793
Rates	6.43%	2 792 943	7.98%	3 369 560
Rental	0.29%	126 226	0.81%	340 518
Refuse	16.70%	7 250 421	15.95%	6 737 457
Sewerage	19.10%	8 293 335	19.81%	8 366 222
Other exchange	31.05%	13 484 246	31.44%	13 281 029
Loans	1.06%	458 366	1.27%	537 301
Fines	5.11%	2 217 921	2.86%	1 208 184
Indigent debtors	1.17%	508 313	1.05%	442 030
	100.00%	43 421 916	100.00%	42 238 535

**Bad debts written off per financial asset class:**

	2016 %	2016 R	2015 %	2015 R
Financial instruments at amortised cost	100.00%	10 592 182	100.00%	4 562 763
	100.00%	10 592 182	100.00%	4 562 763

**Balances past due not impaired:**

	2016 %	2016 R	2015 %	2015 R
<u>Non-Exchange Receivables</u>				
Rates	31%	1 425 678	31%	1 189 850
	31%	1 425 678	31%	1 189 850
<u>Exchange Receivables</u>				
Service Charges	69%	3 166 799	69%	2 698 046
	100%	4 592 477	100%	3 887 896

As at 30 June 2016, trade receivables of R 11 643 196 (2015: R10 744 051) were fully performing

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables, Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are individually evaluated annually at year end for impairment.

	2016 R	2015 R
Financial assets exposed to credit risk at year end are as follows:		
Long-term receivables	458 366	537 301
Receivables from exchange transactions	12 891 622	11 705 436
Receivables from non-exchange transactions	7 516 312	5 105 169
Cash and Cash Equivalents	10 376 174	10 732 948
	31 242 473	28 080 854

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 2 and 5 years	Between 6 and 10 years	Over 10 years
<b>2016</b>				
Non-current Provisions	-	-	90 206 117	-
Capital	-	-	55 951 967	-
Interest	-	-	34 254 150	-
Long Term liabilities	7 268 168	22 055 091	19 391 588	-
Payables from Exchange Transactions	17 119 387	-	-	-
Unspent conditional government grants and receipts	810 703	-	-	-
	25 198 258	22 055 091	109 597 705	-
<b>2015</b>				
Non-current Provisions	-	19 868 596	17 477 991	37 943 038
Capital	-	15 889 146	11 027 894	17 052 997
Interest	-	3 979 450	6 450 097	20 890 041
Long Term liabilities	7 736 463	25 243 903	21 179 708	-
Payables from Exchange Transactions	19 687 669	-	-	-
Unspent conditional government grants and receipts	1 506 135	-	-	-
	28 930 267	45 112 499	38 657 699	37 943 038

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

				2016 R	2015 R
<b>48</b>	<b>FINANCIAL INSTRUMENTS</b>				
	In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows:				
<b>48.1</b>	<b>Financial Assets</b>				
	<b>Financial instruments at amortised cost</b>				
	Long-Term Receivables			112 151	154 669
	Receivables from exchange transactions			12 891 622	11 705 436
	Current Portion of Long-term Receivables			346 214	382 632
	Cash and Cash Equivalents			10 376 174	10 732 948
	<b>Total carrying amount of financial assets</b>			<b>23 726 161</b>	<b>22 975 685</b>
<b>48.2</b>	<b>Financial Liability</b>				
	<b>Financial instruments at amortised cost</b>				
	Long-term Liabilities			25 969 551	30 074 936
	Payables from exchange transactions			19 585 739	23 326 915
	Unspent Conditional Government Grants and Receipts			810 703	1 506 135
	Current Portion of Long-term Liabilities			4 082 984	4 439 281
				<b>50 448 977</b>	<b>59 347 268</b>
<b>49</b>	<b>STATUTORY RECEIVABLES</b>				
	In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:				
	<b>Taxes</b>				
	VAT Receivable			-	202 204
	Receivables from Non-Exchange Transactions			5 990 364	3 964 714
	Rates			4 583 614	3 190 162
	Fines			1 406 750	774 552
				<b>5 990 364</b>	<b>4 166 918</b>
<b>50</b>	<b>EVENTS AFTER THE REPORTING DATE</b>				
	No such instances				
<b>51</b>	<b>IN-KIND DONATIONS AND ASSISTANCE</b>				
	The Municipality did not receive any in-kind donations or assistance during the year under review.				
<b>52</b>	<b>PRIVATE PUBLIC PARTNERSHIPS</b>				
	Council has not entered into any private public partnerships during the financial year.				
<b>53</b>	<b>CONTINGENT LIABILITIES</b>				
	The municipality is not currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.				
<b>54</b>	<b>RELATED PARTIES</b>				
<b>54.1</b>	<b>Related Party Loans</b>				
	Since 1 July 2004 loans to councillors and senior management employees are not permitted.				
<b>54.2</b>	<b>Compensation of key management personnel</b>				
	The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.				
<b>54.3</b>	<b>Other related party transactions</b>				
	The following purchases were made during the year where Councillors or staff have an interest:				
				2016 R	2015 R
	<b>Supplier</b>	<b>Relationship</b>	<b>Department</b>	<b>Position</b>	
	Autopage Cellular	Owner: Husband - Lize Kleinhans	Finance	Accountant: Salaries	210 603
	Compu Traders	Owner: Son - E Mouton	Local Economic Development	Public Relations Officer	-
	HD Meyer	Owner: Husband - Heleen Meyer	Finance	Accountant: SCM + Expenditure	31 053
	MAC Daries	Owner: Daughter - Michinon	Finance	Cashier	22 112
	Sunfox	Owner: Daughter - Michinon	Finance	Cashier	30 503
	<b>Total</b>				<b>294 271</b>
					<b>494 816</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 55 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

## 55.1 COMPARISON OF ACTUAL FIGURES vs THE FINAL BUDGET

Statement of Financial Position**Current Assets:**

Cash	Cash position was less than anticipated during the budget process of 2015/16
Call investment deposits	Call investment deposits were not budgeted separately, this was included in the bank balance as at year end during budget process 2015/16
Consumer debtors	Contribution to bad debt impairment was less than anticipated, therefore increasing the nett consumer
Other Receivables	Other receivables budgeted included an increase in operating leases, this was not realised during the 2015/16 financial year
Inventory	Increase in water stock was not adjusted accordingly during budget process 2015/16

**Non current assets**

Long-term receivables	Decrease in debt impairment on long term receivables were not budgeted during 2015/16. This resulted in the nett long term receivables being less than anticipated
Intangible Assets	Intangible Assets were written off during 2015/16 - not budgeted originally

**Current liabilities**

Trade and other payables	Budget was originally increased due to cash flow constraints. This improved during the year, and most creditors could be paid before year end
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**Community Wealth**

Reserves	During the compilation of the AFS, the actual capital expenditure budget in the 2016/17 financial year was seen as a more accurate contribution to the CRR
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Statement of Financial Performance - Revenue

Interest earned - external investments	Interest on call investment deposits were not budgeted for and interest positive bank was more than anticipated.
Interest earned - outstanding debtors	Debt Collection measures were stricken and interest levied on all outstanding debt.
Fines	Included in this figure is provincial and municipal fine income, that was more than anticipated.
Licences and permits	License and permits were over estimated during the budget process
Other income	Other income include Contributing PPE from Department of Land Reforms and Department of Housing - not budgeted for
Gain on disposal of Property, Plant and Equipment	There was a nett loss on disposal of PPE, mainly due to the Investment Property that was sold for less than Fair Value

Statement of Financial Performance - Expenditure

Debt Impairment	Debt impairment budget was based on previous years collection rate and bad debt written-off amounts, this was seen to be over estimated and actual expenditure was less
Contracted services	The budget included a service provider for speed camera fines, which was only appointed during the last quarter of 2015/16. No services have been rendered at year end, thus no payment were made
Loss on disposal of Property, Plant and Equipment	There is a nett loss on disposal of PPE, mainly due to the Investment Property being sold for less than fair value, and the disposal of other assets not budgeted for

Cash Flow StatementReceipts:

Interest	Included in this interest landfill site interest of Ebenhaeser and Koekenaap not budgeted previously. These two sites are recognized for the first time in the AFS 2015/16
Proceeds on disposal of Assets	There is no proceeds on disposal of PPE, only a nett loss. The properties budgeted for sale was sold at less than fair value
Decrease (Increase) in non-current debtors	The movement long term debtors were not budgeted accordingly during 2015/16
Decrease/(increase) in non-current receivables	The non-current receivables were not budgeted accordingly during 2015/16
Increase/(decrease) in consumer deposits	The increase in consumer deposits was less than anticipated during budget process 2015/16

**Payments:**

Capital assets	Capital budget of Technical was over estimated at planning fase mainly on Project - Alpha Street Rehabilitation and Klawer WTW. Provision was made for contingencies.
Cash and Cash Equivalents at the end of the year	Budgeted Cash and Cash Equivalents was over estimated during the budget process 2015/16

## 55.2 COMPARISON OF ADJUSTMENTS BUDGET vs APPROVED BUDGET

Statement of Financial Position**Current Assets:**

Cash	During revised budget process the bank balance was anticipated to me more than originally planned, this was adjusted upwards
Consumer debtors	Original Budget did not include provision of Debt Impairment, this was now corrected.
Other Receivables	Other receivables budgeted includes an increase in operating leases, not budgeted originally
Inventory	Budget was adjusted to be in line with the final audited AFS 2015

**Non current assets:**

Property, plant and equipment	Budget was adjusted to be in line with the final audited AFS 2015, and the capital additions of 2015/16 added accordingly
Intangible Assets	Budget was adjusted to be in line with the final audited AFS 2015

**Current liabilities:**

Consumer deposits	Budget was adjusted to be in line with the final audited AFS 2015
Provisions and Employee Benefits	Budget was adjusted to be in line with the final audited AFS 2015

**Non current liabilities**

Borrowing	Budget was adjusted to be in line with the final audited AFS 2015 and actual amortisation tables
Non-Current Provisions and Employee Benefits	Budget was adjusted to be in line with the final audited AFS 2015 and Actuarial Reports issued

**Community Wealth**

Reserves	Capital Replacement Reserve budget was adjusted to be in line with the final audited AFS 2015
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**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Statement of Financial Performance - Revenue**

Rental of facilities and equipment	The budget was adjusted downwards, to be in line with actual forecasted figures during the revised budget process of 2015/16
Interest earned - external investments	The budget was adjusted upwards to make provision of the interest earned on the call investment deposits and actual forecasted figures for interest earned on the positive cash balance

**Statement of Financial Performance - Expenditure**

Debt impairment	Budget was adjusted to be in line with the final audited AFS 2015
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**Cash Flow Statement**

**Receipts:**

Interest	The budget was adjusted upwards to make provision of the interest earned on the call investment deposits and actual forecasted figures for interest earned on the positive cash balance
Decrease/(increase) in non-current receivables	Movement on non-current receivables were not budgeted accordingly during 2015/16
Increase/(decrease) in consumer deposits	Budget was adjusted to be in line with the final audited AFS 2015

**Payments:**

Repayment of borrowing	Budget was adjusted to be in line with the final audited AFS 2015 and amortisation tables
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**FINANCIAL SUSTAINABILITY**

Management is of the opinion that the Municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

**Financial Indicators**

The current ratio improved to 0.84:1 from 0.69:1 in the prior year.

The municipality has budgeted for positive cash flows during 2016/2017 and 2017/2018 amounting to R20 051 000 and R20 940 000 respectively.

The payables on exchanges transactions decreased from 2014/15 to 2015/16 with R3 684 742.40

**Other Indicators**

Possible outflow of recourses due the contingent liabilities disclosed in note 53

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**11 PROPERTY, PLANT AND EQUIPMENT**

**30 JUNE 2016**

**Reconciliation of Carrying Value**

Reconciliation of Carrying Value	COST									Accumulated Depreciation and Impairment Losses						Carrying Value
	Transfer of															
	Opening Balance	Functions	Additions	Revaluation	Contributing PPE	Under Construction	Transfers from	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Transfers	Disposals	Impairments	Closing Balance	
	R		R	R	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	53 062 719	-	158 701	18 000	-	-	(35 500)	-	53 203 920	3 017 300	403 958	-	-	-	3 421 258	49 782 662
Land	14 277 082	-	-	18 000	-	-	(35 500)	-	14 259 582	-	-	-	-	-	-	14 259 582
Buildings	38 785 637	-	158 701	-	-	-	-	-	38 944 338	3 017 300	403 958	-	-	-	3 421 258	35 523 080
Infrastructure	404 938 670	-	22 604 886	-	27 281 333	2 381 965	-	(856 185)	456 350 668	84 140 331	10 068 596	-	(212 570)	(106 435)	93 889 922	362 460 746
Storm water and Roads	97 441 303	-	8 433 164	-	11 536 261	-	-	(133 815)	117 276 913	18 829 471	2 849 773	-	(80 756)	-	21 598 489	95 678 424
Sewerage	164 622 105	-	1 295 188	-	9 645 952	934 529	-	(558 986)	175 938 788	17 843 195	2 910 843	-	(55 844)	-	20 698 193	155 240 595
Electricity	41 817 002	-	1 863 393	-	-	1 315 789	-	(40 062)	44 956 122	15 768 868	1 307 739	-	(16 828)	-	17 059 779	27 896 343
Water	73 873 054	-	8 203 369	-	6 099 120	131 646	-	(123 322)	88 183 867	18 037 990	1 124 740	-	(59 142)	-	19 103 587	69 080 280
Solid Waste Disposal	199 887	-	35 000	-	-	-	-	-	234 887	93 281	13 632	-	-	-	106 913	127 974
Landfill Sites	26 985 319	-	2 774 772	-	-	-	-	-	29 760 091	13 567 528	1 861 868	-	-	(106 435)	15 322 961	14 437 130
Community Assets	101 829 516	-	1 908 298	1 271 000	-	-	(7 201 000)	-	97 807 814	4 612 453	597 569	(314 400)	-	-	4 895 621	92 912 193
Parks and Gardens	21 696 180	-	1 049 869	764 000	-	-	(2 071 000)	-	21 439 049	69 658	12 451	-	-	-	82 109	21 356 940
Libraries	1 973 320	-	166 086	-	-	-	-	-	2 139 406	122 339	60 537	-	-	-	182 876	1 956 530
Recreation Grounds	43 663 873	-	632 435	-	-	-	-	-	44 296 308	2 032 726	271 913	-	-	-	2 304 639	41 991 669
Taxi Ranks & Parking Areas	5 252 500	-	-	-	-	-	-	-	5 252 500	86 208	10 810	-	-	-	97 018	5 155 482
Cemeteries	685 000	-	-	-	-	-	-	-	685 000	1 680	210	-	-	-	1 890	683 110
Community Buildings	28 558 643	-	59 909	507 000	-	-	(5 130 000)	-	23 995 551	2 299 842	241 647	(314 400)	-	-	2 227 089	21 768 462
Other Assets	24 514 617	-	2 718 947	-	-	-	-	(491 004)	26 742 560	12 583 487	1 779 477	-	(296 644)	-	14 066 319	12 676 241
Office Equipment	3 832 794	-	207 156	-	-	-	-	(252 720)	3 787 230	2 121 038	262 248	-	(168 298)	-	2 214 988	1 572 241
Motor vehicles	18 121 857	-	2 244 163	-	-	-	-	(50 738)	20 315 281	9 129 116	1 297 509	-	(23 254)	-	10 403 371	9 911 911
Plant & Equipment	2 226 671	-	102 154	-	-	-	-	(134 163)	2 194 662	1 220 925	182 252	-	(85 951)	-	1 317 226	877 436
Computer equipment	333 295	-	165 475	-	-	-	-	(53 382)	445 387	112 408	37 468	-	(19 142)	-	130 734	314 654
	584 345 522	-	27 390 832	1 289 000	27 281 333	2 381 965	(7 236 500)	(1 347 189)	634 104 963	104 353 571	12 849 599	(314 400)	(509 214)	(106 435)	116 273 121	517 831 842

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

**The effect of the Change in Accounting estimates due to the review of useful lives and residual values is as follows:**

Increase / (Decrease) in depreciation on other assets for the year  
Increase / (Decrease) in depreciation on infrastructure assets for the year

2016 R	2017 R	2018 R
(264 381)	(700 462)	(700 462)
-	-	-
<b>(264 381)</b>	<b>(700 462)</b>	<b>(700 462)</b>

The change in accounting estimate for Other assets in 2017 and 2018, are based on the assumption that the residual values will stay the same.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30 JUNE 2015

Reconciliation of Carrying Value

	COST									Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Transfer of Functions	Additions	Revaluation	Contributing PPE	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Transfers	Disposals	Impairments	Closing Balance	
	R		R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>	<b>48 932 062</b>	-	<b>222 763</b>	-	<b>3 907 895</b>	-	-	-	<b>53 062 719</b>	<b>2 644 697</b>	<b>372 603</b>	-	-	-	<b>3 017 300</b>	<b>50 045 419</b>
Land	14 277 082	-	-	-	-	-	-	-	14 277 082	-	-	-	-	-	-	14 277 082
Balance previously reported	14 250 082	-	-	-	-	-	-	-	14 250 082	-	-	-	-	-	-	14 250 082
Correction of error see note	27 000	-	-	-	-	-	-	-	27 000	-	-	-	-	-	-	27 000
Buildings	34 654 980	-	222 763	-	3 907 895	-	-	-	38 785 637	2 644 697	372 603	-	-	-	3 017 300	35 768 337
Balance previously reported	34 552 480	-	222 763	-	3 907 895	-	-	-	38 683 137	2 637 522	371 589	-	-	-	3 009 111	35 674 026
Correction of error see note	102 500	-	-	-	-	-	-	-	102 500	7 175	1 014	-	-	-	8 189	94 311
<b>Infrastructure</b>	<b>368 305 633</b>	-	<b>18 941 674</b>	-	<b>7 652 105</b>	<b>10 486 660</b>	-	<b>(447 401)</b>	<b>404 938 670</b>	<b>75 068 423</b>	<b>9 159 733</b>	-	-	<b>(87 825)</b>	<b>84 140 331</b>	<b>320 798 339</b>
Storm water and Roads	90 524 685	-	6 916 618	-	-	-	-	-	97 441 303	16 416 787	2 412 684	-	-	-	18 829 471	78 611 832
Balance Previously Reported	90 460 718	-	6 916 618	-	-	-	-	-	97 377 336	16 388 357	2 384 254	-	-	-	18 772 610	78 604 726
Correction of error - see note 39.01 (d)	583 639	-	-	-	-	-	-	-	583 639	28 430	28 430	-	-	-	56 860	526 779
Correction of error - see note 39.01 (q)	(519 673)	-	-	-	-	-	-	-	(519 673)	-	-	-	-	-	-	(519 673)
Sewerage	148 119 455	-	1 313 638	-	4 702 352	10 486 660	-	-	164 622 105	15 341 286	2 501 909	-	-	-	17 843 195	146 778 911
Balance Previously Reported	147 884 298	-	1 313 638	-	4 702 352	10 753 885	-	-	164 654 173	15 338 934	2 499 557	-	-	-	17 838 491	146 815 681
Correction of error - see note 39.01 (d)	235 157	-	-	-	-	-	-	-	235 157	2 352	2 352	-	-	-	4 703	230 454
Correction of error - see note 39.01 (r)	-	-	-	-	-	(267 225)	-	-	(267 225)	-	-	-	-	-	-	(267 225)
Electricity	40 612 793	-	1 204 209	-	-	-	-	-	41 817 002	13 203 011	2 565 856	-	-	-	15 768 868	26 048 134
Water	69 706 843	-	1 216 459	-	2 949 752	-	-	-	73 873 054	17 025 905	1 012 085	-	-	-	18 037 990	55 835 065
Balance Previously Reported	69 603 791	-	1 216 459	-	2 949 752	-	-	-	73 770 002	17 024 875	1 011 054	-	-	-	18 035 929	55 734 074
Correction of error - see note 39.01 (d)	103 052	-	-	-	-	-	-	-	103 052	1 031	1 031	-	-	-	2 061	100 991
Solid Waste Disposal	199 887	-	-	-	-	-	-	-	199 887	79 955	13 326	-	-	-	93 281	106 606
Landfill Sites	19 141 970	-	8 290 750	-	-	-	-	(447 401)	26 985 319	13 001 480	653 873	-	-	(87 825)	13 567 528	13 417 791
Balance Previously Reported	13 546 894	-	8 290 750	-	-	-	-	(447 401)	21 390 242	11 550 738	193 391	-	-	(59 781)	11 684 348	9 705 894
Correction of error - see note 39.01(k)	5 595 077	-	-	-	-	-	-	-	5 595 077	-	-	-	-	-	-	5 595 077
Correction of error - see note 39.01 (m)	-	-	-	-	-	-	-	-	-	1 387 598	460 482	-	-	-	1 848 079	(1 848 079)
Correction of error - see note 39.01(n)	-	-	-	-	-	-	-	-	-	63 144	-	-	-	(28 043)	35 101	(35 101)
<b>Community Assets</b>	<b>96 532 352</b>	-	<b>5 297 164</b>	-	-	-	-	-	<b>101 829 516</b>	<b>4 093 721</b>	<b>518 732</b>	-	-	-	<b>4 612 453</b>	<b>97 217 063</b>
Parks and Gardens	21 696 180	-	-	-	-	-	-	-	21 696 180	59 759	9 899	-	-	-	69 658	21 626 522
Libraries	982 531	-	990 789	-	-	-	-	-	1 973 320	111 361	10 978	-	-	-	122 339	1 850 981
Recreation Grounds	39 497 696	-	4 166 177	-	-	-	-	-	43 663 873	1 819 681	213 045	-	-	-	2 032 726	41 631 147
Taxi Ranks and Parking Areas	5 252 500	-	-	-	-	-	-	-	5 252 500	75 398	10 810	-	-	-	86 208	5 166 292
Cemeteries	685 000	-	-	-	-	-	-	-	685 000	1 470	210	-	-	-	1 680	683 320
Community Buildings	28 418 445	-	140 197	-	-	-	-	-	28 558 643	2 026 052	273 790	-	-	-	2 299 842	26 258 801
<b>Other Assets</b>	<b>24 510 442</b>	-	<b>875 060</b>	-	-	-	-	<b>(870 885)</b>	<b>24 514 617</b>	<b>11 256 959</b>	<b>1 981 184</b>	-	<b>(654 656)</b>	-	<b>12 583 487</b>	<b>11 931 130</b>
Office Equipment	3 717 619	-	227 646	-	-	-	-	(112 470)	3 832 794	1 925 174	270 725	-	(74 861)	-	2 121 038	1 711 756
Balance Previously Reported	3 492 345	-	227 646	-	-	-	-	(112 470)	3 607 521	1 820 046	255 707	-	(74 861)	-	2 000 892	1 606 629
Correction of error see note - 39.01(a)	225 273	-	-	-	-	-	-	-	225 273	105 128	15 018	-	-	-	120 146	105 128
Motor vehicles	18 277 085	-	477 706	-	-	-	-	(632 934)	18 121 857	8 138 990	1 489 835	-	(499 709)	-	9 129 116	8 992 741
Plant & Equipment	2 219 537	-	118 507	-	-	-	-	(111 373)	2 226 671	1 108 013	189 604	-	(76 693)	-	1 220 925	1 005 746
Balance Previously Reported	2 130 682	-	118 507	-	-	-	-	(111 373)	2 137 816	1 066 548	183 681	-	(76 693)	-	1 173 536	964 280
Correction of error see note - 39.01(a)	88 855	-	-	-	-	-	-	-	88 855	41 466	5 924	-	-	-	47 389	41 466
Computer equipment	296 201	-	51 201	-	-	-	-	(14 108)	333 295	84 782	31 019	-	(3 393)	-	112 408	220 887
Balance Previously Reported	279 915	-	51 201	-	-	-	-	(14 108)	317 009	77 181	29 934	-	(3 393)	-	103 722	213 287
Correction of error see note - 39.01(a)	16 286	-	-	-	-	-	-	-	16 286	7 600	1 086	-	-	-	8 686	7 600
	<b>538 280 488</b>	-	<b>25 336 660</b>	-	<b>11 560 000</b>	<b>10 486 660</b>	-	<b>(1 318 286)</b>	<b>584 345 522</b>	<b>93 063 800</b>	<b>12 032 252</b>	-	<b>(654 656)</b>	<b>(87 825)</b>	<b>104 353 571</b>	<b>479 991 951</b>

**APPENDIX A**  
**MATZIKAMA MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2015	Balance at 30 JUNE 2015 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2016
<b>ANNUITY LOANS</b>								
DBSA	12.27%	102857	2018	1 333 333	1 333 333	-	444 444	888 889
DBSA	6.75%	103143(1)	2016	135 600	135 600	-	135 600	(0)
DBSA	6.75%	103143(2)	2018	1 006 472	1 006 472	-	263 749	742 723
DBSA	11.14%	103749	2020	9 483 706	9 483 706	-	1 508 047	7 975 659
DBSA	8.57%	WC12007362.1	2021	9 499 164	9 499 164	-	245 451	9 253 713
DBSA	8.57%	WC12007362.2	2031	889 077	889 077	-	103 272	785 805
DBSA	8.82%	1007262	2022 / 2027	10 910 885	10 910 885	-	1 030 633	9 880 252
ABSA - Capital Works 2005/2006	9.15%	40-6512-9293	2016	484 304	484 304	-	484 304	-
ABSA - Capital Works 2008/2009	Prime - 2%	40-7292-9600	2018	771 676	771 676	-	246 182	525 494
<b>Total Annuity Loans</b>				<b>34 514 217</b>	<b>34 514 217</b>	<b>-</b>	<b>4 461 682</b>	<b>30 052 535</b>

**APPENDIX B - Unaudited  
MATZIKAMA MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2015 R	Correction of error R	Restated Balance 1 JULY 2015 R	Contributions during the year R	Operating Expenditure during the year Transferred to Revenue R	Capital Expenditure during the year Transferred to Revenue R	Repaid to National/Provincial Revenue fund R	Balance 30 JUNE 2016 R	Unspent 30 JUNE 2016 (Creditor) R	Unpaid 30 JUNE 2016 (Debtor) R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>										
<b><u>National Government Grants</u></b>										
Equitable Share	-		-	41 409 000	(41 409 000)	-		-	-	-
Department of Mineral Resources	414 728		414 728	2 500 000	-	(2 499 728)	(415 000)	-	-	-
FMG	-		-	1 450 000	(1 450 000)	-		-	-	-
MIG	-		-	20 716 000		(20 716 000)		-	-	-
MSIG	174 768		174 768	930 000	(892 077)	(37 691)	(175 000)	-	-	-
Neighbourhood Development	369 389		-	-	-	-		-	-	-
EPWP	-		-	1 000 000	(1 000 000)	-		-	-	-
DWAF	-		-	1 500 000	(56 880)	(1 443 120)		-	-	-
<b>Total National Government Grants</b>	<b>958 885</b>	<b>-</b>	<b>589 496</b>	<b>69 505 000</b>	<b>(44 807 957)</b>	<b>(24 696 539)</b>	<b>(590 000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Provincial Government Grants</u></b>										
CDW's	-		-	144 000	(144 000)	-		-	-	-
Department of Sport and Culture	-	416 641	416 641	-	-	(416 641)		-	-	-
Library Services	-		-	5 660 000	(5 406 194)	(253 806)		-	-	-
Provincial FMG	0		-	1 455 000	(782 256)			672 744	672 744	-
Public Transport Infrastructure	-		-	59 000	(59 000)	-		-	-	-
Municipal Capacity Building Grant	500 000		500 000	-	(500 000)	-		-	-	-
Municipal Infrastructure Support Grant	-		-	300 000	(300 000)	-		-	-	-
WC Financial Support for IDP related Projects	-		-	200 000	-	(62 041)		137 959	137 959	-
Thusong services centres operational grant	-		-	200 000	(131 704)	(68 296)		(0)	-	(0)
<b>Total Provincial Government Grants</b>	<b>500 000</b>	<b>416 641</b>	<b>916 641</b>	<b>8 018 000</b>	<b>(7 323 154)</b>	<b>(800 784)</b>	<b>-</b>	<b>810 703</b>	<b>810 703</b>	<b>(0)</b>
<b>TOTAL GOVERNMENT GRANTS</b>	<b>1 458 885</b>	<b>416 641</b>	<b>1 506 137</b>	<b>77 523 000</b>	<b>(52 131 111)</b>	<b>(25 497 323)</b>	<b>(590 000)</b>	<b>810 703</b>	<b>810 703</b>	<b>-</b>
<b>TOTAL</b>	<b>1 458 885</b>	<b>416 641</b>	<b>1 506 137</b>	<b>77 523 000</b>	<b>(52 131 111)</b>	<b>(25 497 323)</b>	<b>(590 000)</b>	<b>810 701</b>	<b>810 701</b>	<b>(0)</b>



**APPENDIX C(1)- Unaudited  
MATZIKAMA MUNICIPALITY  
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016  
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description  R thousand	2015/2016							2014/15
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>Revenue - Standard</b>								
<i><b>Governance and administration</b></i>	<b>108 793</b>	<b>4 381</b>	<b>113 174</b>	<b>135 016</b>	<b>21 842</b>	<b>119.3%</b>	<b>124.1%</b>	<b>118 599</b>
Executive and council	5	–	5	27 281	27 276	545626.7%	545626.7%	12 029
Budget and treasury office	102 521	4 410	106 930	104 576	(2 354)	97.8%	102.0%	102 697
Corporate services	6 267	(29)	6 239	3 158	(3 081)	50.6%	50.4%	3 872
<i><b>Community and public safety</b></i>	<b>11 193</b>	<b>113</b>	<b>11 307</b>	<b>12 718</b>	<b>1 411</b>	<b>112.5%</b>	<b>113.6%</b>	<b>11 916</b>
Community and social services	6 055	333	6 388	6 511	124	101.9%	107.5%	5 914
Sport and recreation	2 801	(357)	2 444	2 461	16	100.7%	87.8%	2 174
Public safety	2 029	157	2 186	3 458	1 272	158.2%	170.4%	3 545
Housing	309	(20)	289	288	(1)	99.6%	93.1%	284
Health	–	–	–	–	–	–	–	–
<i><b>Economic and environmental services</b></i>	<b>6 470</b>	<b>(247)</b>	<b>6 223</b>	<b>5 924</b>	<b>(298)</b>	<b>95.2%</b>	<b>91.6%</b>	<b>6 054</b>
Planning and development	878	(313)	565	440	(125)	77.8%	50.1%	561
Road transport	5 591	66	5 658	5 484	(173)	96.9%	98.1%	5 493
Environmental protection	–	–	–	–	–	–	–	–
<i><b>Trading services</b></i>	<b>150 738</b>	<b>(773)</b>	<b>149 965</b>	<b>143 568</b>	<b>(6 397)</b>	<b>95.7%</b>	<b>95.2%</b>	<b>134 460</b>
Electricity	97 686	54	97 740	94 643	(3 097)	96.8%	96.9%	85 284
Water	20 032	(2 500)	17 532	15 499	(2 033)	88.4%	77.4%	17 988
Waste water management	16 705	945	17 650	16 889	(761)	95.7%	101.1%	15 796
Waste management	16 315	728	17 043	16 537	(506)	97.0%	101.4%	15 392
<i><b>Other</b></i>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Revenue - Standard</b>	<b>277 194</b>	<b>3 474</b>	<b>280 668</b>	<b>297 225</b>	<b>16 557</b>	<b>105.9%</b>	<b>107.2%</b>	<b>271 030</b>
<b>Expenditure - Standard</b>								
<i><b>Governance and administration</b></i>	<b>60 107</b>	<b>12 303</b>	<b>72 411</b>	<b>69 189</b>	<b>(3 222)</b>	<b>95.6%</b>	<b>115.1%</b>	<b>59 156</b>
Executive and council	13 779	792	14 571	12 428	(2 143)	85.3%	90.2%	11 889
Budget and treasury office	28 152	11 927	40 079	40 982	903	102.3%	145.6%	31 618
Corporate services	18 176	(416)	17 760	15 778	(1 982)	88.8%	86.8%	15 649
<i><b>Community and public safety</b></i>	<b>26 506</b>	<b>412</b>	<b>26 918</b>	<b>26 677</b>	<b>(241)</b>	<b>99.1%</b>	<b>100.6%</b>	<b>24 187</b>
Community and social services	12 004	36	12 040	12 139	98	100.8%	101.1%	11 299
Sport and recreation	5 288	667	5 955	5 708	(248)	95.8%	107.9%	4 831
Public safety	8 498	(151)	8 347	8 256	(91)	98.9%	97.2%	7 542
Housing	715	(140)	575	575	(0)	99.9%	80.4%	516
Health	–	–	–	–	–	–	–	–
<i><b>Economic and environmental services</b></i>	<b>27 513</b>	<b>(151)</b>	<b>27 362</b>	<b>27 224</b>	<b>(138)</b>	<b>99.5%</b>	<b>98.9%</b>	<b>24 268</b>
Planning and development	6 393	(367)	6 026	5 495	(531)	91.2%	86.0%	4 735
Road transport	21 120	216	21 336	21 729	393	101.8%	102.9%	19 533
Environmental protection	–	–	–	–	–	–	–	–
<i><b>Trading services</b></i>	<b>132 958</b>	<b>372</b>	<b>133 331</b>	<b>130 736</b>	<b>(2 595)</b>	<b>98.1%</b>	<b>98.3%</b>	<b>117 881</b>
Electricity	89 141	(54)	89 087	89 285	198	100.2%	100.2%	80 494
Water	17 733	(548)	17 185	16 171	(1 014)	94.1%	91.2%	16 234
Waste water management	10 925	146	11 071	10 571	(500)	95.5%	96.8%	9 384
Waste management	15 159	828	15 987	14 708	(1 279)	92.0%	97.0%	11 770
<i><b>Other</b></i>	<b>1 249</b>	<b>(5)</b>	<b>1 244</b>	<b>1 209</b>	<b>(36)</b>	<b>97.1%</b>	<b>96.7%</b>	<b>1 166</b>
<b>Total Expenditure - Standard</b>	<b>248 334</b>	<b>12 931</b>	<b>261 265</b>	<b>255 034</b>	<b>(6 231)</b>	<b>97.6%</b>	<b>102.7%</b>	<b>226 659</b>
<b>Surplus/(Deficit) for the year</b>	<b>28 860</b>	<b>(9 457)</b>	<b>19 403</b>	<b>42 191</b>	<b>22 788</b>	<b>217.4%</b>	<b>146.2%</b>	<b>44 371</b>

**APPENDIX C(2)- Unaudited  
MATZIKAMA MUNICIPALITY  
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016  
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description  R thousand	2015/16							2014/2015
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>Revenue by Vote</b>								
Vote 1 - Executive & Council	–	–	–	27 281	27 281	#DIV/0!	#DIV/0!	12 029
Vote 2 - Finance	102 521	4 410	106 930	104 470	(2 460)	97.7%	101.9%	102 638
Vote 3 - Corporate	1 077	537	1 613	2 127	514	131.9%	197.6%	3 084
Vote 4 - Community Services	31 999	897	32 896	33 665	769	102.3%	105.2%	31 497
Vote 5 - Public Works and Basic Ser	135 529	(1 491)	134 039	128 105	(5 934)	95.6%	94.5%	120 364
Vote 6 - Development and Town plan	6 069	(878)	5 191	1 577	(3 614)	30.4%	26.0%	1 410
				–	–	–	–	
<b>Total Revenue by Vote</b>	<b>277 194</b>	<b>3 474</b>	<b>280 668</b>	<b>297 225</b>	<b>16 557</b>	<b>105.9%</b>	<b>107.2%</b>	<b>271 022</b>
<b>Expenditure by Vote to be appropriated</b>								
Vote 1 - Executive & Council	13 762	792	14 554	12 428	(2 126)	85.4%	90.3%	11 889
Vote 2 - Finance	30 234	11 404	41 638	40 982	(656)	98.4%	135.5%	31 610
Vote 3 - Corporate	13 961	58	14 019	13 845	(173)	98.8%	99.2%	13 574
Vote 4 - Community Services	39 499	977	40 475	39 108	(1 368)	96.6%	99.0%	33 481
Vote 5 - Public Works and Basic Ser	141 103	24	141 126	140 034	(1 093)	99.2%	99.2%	128 120
Vote 6 - Development and Town plan	9 775	(322)	9 453	8 637	(816)	91.4%	88.4%	7 976
				–	–	–	–	
<b>Total Expenditure by Vote</b>	<b>248 334</b>	<b>12 931</b>	<b>261 265</b>	<b>255 034</b>	<b>(6 231)</b>	<b>97.6%</b>	<b>102.7%</b>	<b>226 651</b>
<b>Surplus/(Deficit) for the year</b>	<b>28 860</b>	<b>(9 457)</b>	<b>19 403</b>	<b>42 191</b>	<b>22 788</b>	<b>217.4%</b>	<b>146.2%</b>	<b>44 371</b>

**APPENDIX C(3) - Unaudited  
MATZIKAMA MUNICIPALITY  
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
REVENUE AND EXPENDITURE  
(EXPENDITURE BY TYPE, AND REVENUE BY SOURCE)**

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue By Source</b>								
Property rates	37 204	2 966	40 170	36 598	(3 571)	91.1%	98.4%	32 574
Property rates - penalties & collection charges	-	-	-	-	-			-
Service charges - electricity revenue	96 739	299	97 038	93 773	(3 265)	96.6%	96.9%	84 375
Service charges - water revenue	19 735	(2 500)	17 235	15 165	(2 070)	88.0%	76.8%	17 695
Service charges - sanitation revenue	13 914	5	13 919	13 010	(909)	93.5%	93.5%	12 966
Service charges - refuse revenue	13 865	4	13 869	13 275	(594)	95.7%	95.7%	12 995
Service charges - other	-	-	-	-	-			-
Rental of facilities and equipment	4 468	(827)	3 642	3 983	341	109.4%	89.1%	3 243
Interest earned - external investments	699	350	1 049	1 604	555	152.9%	229.5%	939
Interest earned - outstanding debtors	2 538	250	2 788	3 125	337	112.1%	123.1%	2 396
Dividends received	-	-	-	-	-			-
Fines	2 089	146	2 235	3 475	1 240	155.5%	166.4%	3 566
Licences and permits	1 829	86	1 915	1 122	(793)	58.6%	61.3%	1 125
Agency services	2 708	-	2 708	2 628	(79)	97.1%	97.1%	2 417
Transfers recognised - operational	50 788	1 567	52 355	52 131	(224)	99.6%	102.6%	49 640
Other revenue	1 801	23	1 824	4 559	2 735	249.9%	253.2%	8 918
Gains on disposal of PPE	3 839	-	3 839	-	(3 839)	0.0%	0.0%	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>252 214</b>	<b>2 370</b>	<b>254 584</b>	<b>244 447</b>	<b>(10 137)</b>	<b>96.0%</b>	<b>96.9%</b>	<b>232 849</b>
<b>Expenditure By Type</b>								
Employee related costs	92 755	(63)	92 692	93 529	838	100.9%	100.8%	81 364
Remuneration of councillors	6 150	(56)	6 094	5 908	(186)	96.9%	96.1%	5 642
Debt impairment	6 698	10 500	17 198	11 551	(5 647)	67.2%	172.4%	10 017
Depreciation & asset impairment	11 753	-	11 753	12 885	1 132	109.6%	109.6%	12 067
Finance charges	7 763	799	8 562	8 358	(204)	97.6%	107.7%	8 180
Bulk purchases	83 483	(400)	83 083	82 656	(428)	99.5%	99.0%	73 819
Other materials	-	-	-	-	-			-
Contracted services	121	-	121	-	(121)	0.0%	0.0%	64
Transfers and grants	975	-	975	957	(18)	98.2%	98.2%	928
Other expenditure	38 636	2 152	40 787	37 736	(3 051)	92.5%	97.7%	34 361
Loss on disposal of PPE	-	-	-	1 455	1 455			216
<b>Total Expenditure</b>	<b>248 334</b>	<b>12 931</b>	<b>261 265</b>	<b>255 034</b>	<b>(6 231)</b>	<b>97.6%</b>	<b>-2.4%</b>	<b>226 659</b>
<b>Surplus/(Deficit)</b>	<b>3 880</b>	<b>(10 562)</b>	<b>(6 681)</b>	<b>(10 587)</b>	<b>(3 906)</b>	<b>158.5%</b>	<b>-272.8%</b>	<b>6 190</b>
Transfers recognised - capital	24 980	1 104	26 084	25 497	(587)	97.7%	102.1%	26 621
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	27 281	27 281	100.0%	#DIV/0!	11 560
<b>Surplus/(Deficit) for the year</b>	<b>28 860</b>	<b>(9 457)</b>	<b>19 403</b>	<b>42 191</b>	<b>22 788</b>	<b>217.4%</b>	<b>146.2%</b>	<b>44 371</b>

**APPENDIX C(4) - Unaudited  
MATZIKAMA MUNICIPALITY  
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016  
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Description  R thousand	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>Capital expenditure - Vote</b>								
<b>Multi-year expenditure</b>								
Vote 1 - Executive & Council	150	(52)	98	104	6	105.8%	69.0%	41
Vote 2 - Finance	-	-	-	-	-	-	-	-
Vote 3 - Corporate	-	-	-	-	-	-	-	-
Vote 4 - Community Services	-	-	-	-	-	-	-	8 074
Vote 5 - Public Works and Basic Services	1 500	-	1 500	1 320	(180)	88.0%	88.0%	667
Vote 6 - Development and Townplanning Services	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure</b>	<b>1 650</b>	<b>(52)</b>	<b>1 598</b>	<b>1 424</b>	<b>(174)</b>	<b>89.1%</b>	<b>86.3%</b>	<b>8 782</b>
<b>Single-year expenditure</b>								
Vote 1 - Executive & Council	-	-	-	-	-	-	-	273
Vote 2 - Finance	245	20	265	286	21	107.8%	116.6%	-
Vote 3 - Corporate	-	-	-	-	-	-	-	84
Vote 4 - Community Services	3 746	321	4 067	3 895	(172)	95.8%	104.0%	1 419
Vote 5 - Public Works and Basic Services	23 979	332	24 311	21 195	(3 116)	87.2%	88.4%	25 198
Vote 6 - Development and Townplanning Services	150	88	238	-	(238)	-	-	67
<b>Capital single-year expenditure</b>	<b>28 120</b>	<b>760</b>	<b>28 880</b>	<b>25 376</b>	<b>(3 504)</b>	<b>88%</b>	<b>90%</b>	<b>27 041</b>
<b>Total Capital Expenditure - Vote</b>	<b>29 770</b>	<b>708</b>	<b>30 478</b>	<b>26 799</b>	<b>(3 678)</b>	<b>88%</b>	<b>90%</b>	<b>35 823</b>
<b>Capital Expenditure - Standard</b>								
<b>Governance and administration</b>	<b>395</b>	<b>(32)</b>	<b>363</b>	<b>459</b>	<b>96</b>	<b>126.4%</b>	<b>116.1%</b>	<b>465</b>
Executive and council	150	(52)	98	104	6	105.8%	69.0%	314
Budget and treasury office	245	20	265	253	(12)	95.3%	103.1%	-
Corporate services	-	-	-	102	102	#DIV/0!	#DIV/0!	151
<b>Community and public safety</b>	<b>1 946</b>	<b>271</b>	<b>2 217</b>	<b>2 045</b>	<b>(171)</b>	<b>92.3%</b>	<b>105.1%</b>	<b>5 608</b>
Community and social services	279	244	523	513	(10)	98.2%	184.0%	1 419
Sport and recreation	1 317	377	1 694	1 532	(162)	90.4%	116.3%	4 189
Public safety	-	-	-	-	-	-	-	-
Housing	350	(350)	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>9 889</b>	<b>(1 183)</b>	<b>8 706</b>	<b>7 547</b>	<b>(1 159)</b>	<b>86.7%</b>	<b>76.3%</b>	<b>7 557</b>
Planning and development	150	88	238	129	(108)	54.4%	86.2%	-
Road transport	9 739	(1 270)	8 469	7 418	(1 051)	87.6%	76.2%	7 557
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>17 540</b>	<b>1 652</b>	<b>19 192</b>	<b>19 722</b>	<b>530</b>	<b>102.8%</b>	<b>112.4%</b>	<b>22 193</b>
Electricity	2 700	600	3 300	2 425	(875)	73.5%	89.8%	1 507
Water	9 050	30	9 080	7 990	(1 090)	88.0%	88.3%	1 673
Waste water management	3 890	790	4 680	4 467	(213)	95.4%	114.8%	10 685
Waste management	1 900	232	2 132	4 839	2 708	227.0%	254.7%	8 329
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Standard</b>	<b>29 770</b>	<b>708</b>	<b>30 478</b>	<b>29 773</b>	<b>(705)</b>	<b>98%</b>	<b>100%</b>	<b>35 823</b>
<b>Funded by:</b>								
National Government	24 716	-	24 716	24 697	(19)	99.9%	99.9%	24 611
Provincial Government	264	1 104	1 368	801	(568)	58.5%	303.3%	1 641
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>24 980</b>	<b>1 104</b>	<b>26 084</b>	<b>25 497</b>	<b>(587)</b>	<b>98%</b>	<b>102%</b>	<b>26 251</b>
<b>Public contributions &amp; donations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>	<b>4 790</b>	<b>(397)</b>	<b>4 393</b>	<b>4 275</b>	<b>(118)</b>	<b>97.3%</b>	<b>89.3%</b>	<b>9 572</b>
<b>Total Capital Funding</b>	<b>29 770</b>	<b>708</b>	<b>30 478</b>	<b>29 773</b>	<b>(705)</b>	<b>98%</b>	<b>100%</b>	<b>35 823</b>

**APPENDIX C(5) - Unaudited  
MATZIKAMA MUNICIPALITY  
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016  
CASH FLOWS**

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>					-	-	-	
Property rates, penalties & collection charges	34 731	2 225	36 956	36 598	(358)	99.0%	105.4%	32 574
Service charges	134 667	(3 972)	130 695	119 746	(10 949)	91.6%	88.9%	128 031
Other revenue	11 900	(591)	11 309	15 660	4 352	138.5%	131.6%	(462)
Government - operating	50 788	1 567	52 355	52 432	77	100.1%	103.2%	50 870
Government - capital	24 980	1 104	26 084	24 501	(1 583)	93.9%	98.1%	21 344
Interest	3 068	408	3 475	4 728	1 253	136.0%	154.1%	3 336
Dividends	-	-	-	-	-	-	-	-
<b>Payments</b>					-	-	-	
Suppliers and employees	(213 531)	(6 989)	(220 520)	(219 178)	1 342	99.4%	102.6%	(190 821)
Finance charges	(3 375)	49	(3 326)	(3 434)	(108)	103.2%	101.7%	(3 768)
Transfers and Grants	(975)	-	(975)	(957)	18	98.2%	98.2%	(928)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>42 254</b>	<b>(6 199)</b>	<b>36 055</b>	<b>30 098</b>	<b>(5 956)</b>	<b>83.5%</b>	<b>71.2%</b>	<b>40 174</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					-	-	-	
<b>Receipts</b>					-	-	-	
Proceeds on disposal of PPE	3 839	-	3 839	690	-	-	-	(0)
Decrease (increase) in non-current debtors	-	-	-	158	-	-	-	551
Decrease (increase) other non-current receivables	-	(5)	(5)	-	5	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
<b>Payments</b>					-	-	-	
Capital assets	(29 770)	(708)	(30 478)	(26 998)	3 480	88.6%	90.7%	(27 533)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(25 931)</b>	<b>(713)</b>	<b>(26 644)</b>	<b>(26 150)</b>	<b>494</b>	<b>98.1%</b>	<b>100.8%</b>	<b>(26 982)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					-	-	-	
<b>Receipts</b>					-	-	-	
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	229	693	922	156	(765)	17.0%	68.3%	869
<b>Payments</b>					-	-	-	
Repayment of borrowing	(8 029)	3 590	(4 439)	(4 462)	(22)	100.5%	55.6%	(6 028)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(7 800)</b>	<b>4 283</b>	<b>(3 518)</b>	<b>(4 305)</b>	<b>(788)</b>	<b>122.4%</b>	<b>55.2%</b>	<b>(5 158)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>8 522</b>	<b>(2 629)</b>	<b>5 893</b>	<b>(357)</b>	<b>(6 250)</b>	<b>-6.1%</b>	<b>-4.2%</b>	<b>8 034</b>
Cash/cash equivalents at the year begin:	1 804	8 929	10 733	10 733	0	100.0%	595.1%	2 699
Cash/cash equivalents at the year end:	10 326	6 300	16 626	10 376	(7 037)	62.4%	100.5%	10 733